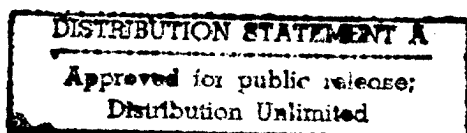


R 191055

JPRS-WER-86-051

23 MAY 1986

West Europe Report



DTIC QUALITY INSPECTED 2

19980603 100



FOREIGN BROADCAST INFORMATION SERVICE

6
96
A05

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

23 MAY 1986

WEST EUROPE REPORT

CONTENTS

POLITICAL

DENMARK

- Socialist People's Party Chief Discusses Governing With SDP
(Gert Petersen Interview; BERLINGSKE STORE BEDEDAG,
25 Apr 86)..... 1

FEDERAL REPUBLIC OF GERMANY

- Bundestag Committee Holds Hearings on Foreign Aid
(Klaus Natorp; FRANKFURTER ALLGEMEINE, 14 Apr 86)..... 4
- Labor Market for University Graduates Reviewed
(Uwe Schlicht; DER TAGESSPIEGEL, 4 Apr 86)..... 7

ITALY

- Servello Retains Position at MSI Conference
(Arturo Diaconale; IL GIORNALE, 20 Mar 86)..... 10
- Gualtieri Assails Security Service Corruption
(Libero Gualtieri Interview; L'ESPRESSO, 30 Mar 86)..... 12
- 'Left Wing for Europe' Center Opens in Rome
(Giovanni Fasanella; L'UNITA, 21 Mar 86)..... 15

NETHERLANDS

- Leader of Extreme Rightist Party Gives Views
(D. Segers Interview; DE TIJD, 11 Apr 86)..... 18

PORTUGAL

PCP Central Committee Greet PCI Congress (AVANTE, 10 Apr 86).....	25
PCP's Pato Addresses Bulgarian CP Congress (AVANTE, 10 Apr 86).....	27
PCP Sends Greetings Message to GDR Congress (AVANTE, 17 Apr 86).....	30
Portuguese Communists Greet BCP Congress (AVANTE, 3 Apr 86).....	33

SWEDEN

Conservatives' Leader Views Cooperation With Carlsson (Magdalena Ribbing; DAGENS NYHETER, 20 Apr 86).....	36
Article Criticizes Education Board's 'Peace Education' Manual (Lena Olsson-hulten, Kajsa Ohrlander; SVENSKA DAGBLADET, 16 Apr 86).....	38

MILITARY

FEDERAL REPUBLIC OF GERMANY

Intensity, Innovation Marks Reservist Refresher Training (BUNDESWEHR AKTUELL, various dates).....	43
Urban Warfare Instructor Training	43
Armored Division Logistical Support	43
Airfield Damage Control Exercise, by Dieter Kaesebier	44

SWEDEN

FFV Arms Production, Marketing Plans Profiled (WEHRTECHNIK, Mar 86).....	47
-----------------------------------------------------------------------------	----

ECONOMIC

EUROPEAN AFFAIRS

Turkey, Netherlands Sign Agricultural Cooperation Protocol (Ankara Domestic Service, 21 Apr 86).....	60
---------------------------------------------------------------------------------------------------------	----

BELGIUM

Successful Economic Development in Flanders Observed (ELSEVIERS WEEKBLAD, 5 Apr 86).....	61
Economic Progress, by Pieter Nouwen, Jan Schils	61
Geens on Problems, Gaston Geens Interview	63

FEDERAL REPUBLIC OF GERMANY

Siemens Chairman Analyzes Firm's Competitiveness (Karlheinz Kaske Interview; DER SPIEGEL, 14 Apr 86).....	65
Spaeth Forms Regional Bank To Compete for Export Business (DER SPIEGEL, 21 Apr 86).....	74

PORTUGAL

Government's Dilemma: Inflation, Investments (Ilidio Barreto; TEMPO, 11-18 Apr 86).....	77
Official Statistics Show Unemployment High (DIARIO DE NOTICIAS, SEMANARIO, 15 Mar, 5 Apr 86).....	80
Nationwide Increase	80
No Improvement in 1986	83
Finance Minister: No Reductions in Civil Service (DIARIO DE NOTICIAS, 13 Mar 86).....	85
Briefs	
Participation in Loan to USSR	86
New Interest Rates	86

TURKEY

Briefs	
IMF Loans	87
Aviation Agreement With Oman	87
Price Index	87

ENERGY

FEDERAL REPUBLIC OF GERMANY

Firms Seek New Uses for High Temperature Reactors (WIRTSCHAFTSWOCHE, 28 Mar 86).....	88
-----------------------------------------------------------------------------------------	----

/12675

POLITICAL

DENMARK

SOCIALIST PEOPLE'S PARTY CHIEF DISCUSSES GOVERNING WITH SDP

PM301402 Copenhagen BERLINGSKE STORE BEDEDAG in Danish 25 Apr 86 (section 2)
p 6

[Interview with Socialist People's Party leader Gert Petersen by Carl Otto Brix:
"The Socialist People's Party Is Ready To Enter Government"--date, place not
specified]

[Text] Socialist People's Party [SF] chairman Gert Petersen is ready to become
a minister in a government comprising the Social Democrats and the SF.

The condition for this--over and above the fact that the two parties should have
a majority--is that the SF's influence on government policy should be pro-
portionate to the party's size after the election.

Any idea that the Social Democrats have or might have that the SF can only
enter government on the foundation of Social Democratic policy the Social
Democrats would do well to forget.

The SF wants influence and Gert Petersen thinks that it is security policy in
the broadest sense which will stand in the way of joint participation in
government. On the other hand he does expect that the two parties could find
a common platform for economic policy.

He and the party would prefer to enter into talks with the Social Democrats
on the basis for government cooperation today rather than tomorrow, but so
far Anker Jorgensen has been dismissive. All such talks would take place
after an election and Gert Petersen does not dare say today whether such
cooperation would be at government level or take the form of a binding agreement.

Again: The precondition for government cooperation is a left-wing majority.
But on the other hand: After the most recent opinion poll by Gallup this
precondition is met.

The SF can easily "live with" the fact that Denmark is a member of both the
EEC and NATO, even though the party itself is opposed to both and would like
to have Denmark out of both organizations.

Recently voices have also been raised within the SF saying that it is perhaps not so bad for Denmark to be in NATO.

Folketing deputy Margrethe Auken has made herself spokesman for this unusual idea.

But Gert Petersen thinks that she is a solitary swallow.

"It is one thing to recognize facts--Danish membership. It is something else to take the view that the facts are wonderful. This is a crucial difference. But there are not that many SF members who are positively disposed toward NATO membership and we could not of course think about expelling them. But we will probably have a good debate about this at the national congress this week.

"I am a socialist because that democratic socialism is the only path to social justice both within and beyond the country's borders.

"But it is impossible to achieve socialism all at once. It is most unlikely that it will be possible to achieve such popular support. And that is why it is possible that the SF could enter into a government--not to achieve its principle program, but to achieve some of it. I myself would consider it a heavy burden if I were a minister. I also doubt whether I am suited to such work. But we would not lose our socialist virtue if we entered into a government with the Social Democrats.

[Brix] Are the Social Democrats friendly toward the SF simply to get an opportunity to eat you?

[Petersen] That needs a little longer answer perhaps. There are many of our members who do not see the Social Democrats as particularly friendly toward the SF. But it is quite right that in the last few years there has been a change in Christiansborg in the attitude of the Social Democrats toward the SF. I think that their motives are various. For some Social Democrats it is a question of getting some of their program implemented through cooperation with us. For others the considerations are more tactical--that they would like to use the cooperation to reduce the SF to "SF's natural size"--and that is not 15 percent, but something like 5 to 6 percent. That is something that we have to be careful about. We cannot forget that Per Haekkerup admitted with his usual grin that he became political spokesman in 1966 to reduce the size of the SF. That is something that was not said when cooperation began.

[Brix] Do you support the Social Democrats because they are the lesser of two evils?

[Petersen] We probably have varying motives. We are not all the same. The fact that there is broad support for cooperation with the Social Democrats is the result of a process of elimination. We will not have a majority alone. Could we cooperate with the Conservatives? No! With the Liberals? No! As a result we reach the conclusion that it is the Social Democrats who are closest to us. For some of us, including myself, there is a slightly different

approach. I look at it like this--that the workers and those earning wages in this country should have the leading position in politics. This group covers many different viewpoints. Some want to move quicker, others want to move more slowly toward the reform of society. Perhaps some are not even particularly interested in this reform. But there is after all a left and a right wing within the workers' movement, and a prerequisite for the two wings being able to achieve something is that they join forces and they must therefore try to adapt their speeds to each other. We will have a busy time of it; the others will hold back, and so we will have to find a common denominator.

[Brix] But the left wing of the workers' movement is many things. There are Communists, Left Socialist Party members, Communist Workers' Party members, and so on?

[Petersen] It is beginning to look more and more as if the SF is identical with the political left wing, and that is something with which I am very satisfied. When it comes to defending ourselves against the nonsocialist government's measures we can take the whole [bullesjesjen--word not known]. But when it comes to the reform of society, this must depend on the cooperation between parties which have a clear democratic foundation and which would therefore abandon it if a majority was opposed to it. Large sections of the Left Socialist Party have such a foundation, but I do not think that the Communist Party of Denmark does.

[Brix] Are we not in the process of seeing a break with tradition on the left wing with a tendency for people who up to now have contented themselves with ideological discussion to want to see practical results?

[Petersen] The answer is "yes." But there are still different approaches. One is to recognize that we cannot push through our ideal demands and that we must make do with small steps. But this is not the same as smoothing things over and saying that if we cannot get what we want, well things are still excellent. This makes what is imperfect into the ideal.

[Brix] Is there any parallel between the break with tradition that is taking place in relation to NATO and that which is taking place in relation to the EEC?

[Petersen] The SF has always had a strong desire to become involved and gain influence. In this respect we should be compared with the Italian Communists who have a slogan which runs, "Here and now" [nutid og tilstedevaerelse]. This principle has had its ups and downs in the SF's history, but it has always existed. It is particularly important for our local council members. And we are agreed that we should not wait for Marx' second coming before getting down to creating the socialist democracy. In each individual step we simply have to keep the long-term goal in sight. What we criticize the Social Democrats for is that since the thirties they have lost sight of the long-term goal because they have been swallowed up by their day-to-day efforts.

/8309

CSO: 3613/118

POLITICAL

FEDERAL REPUBLIC OF GERMANY

BUNDESTAG COMMITTEE HOLDS HEARINGS ON FOREIGN AID

Frankfurt FRANKFURTER ALLGEMEINE in German 14 Apr 86 p 12

[Article by Klaus Natorp: "Tools for Developmental Assistance--Bundestag Committee for Economic Cooperation Draws Balance"]

[Text] When the Bundestag Committee for Economic Cooperation recently held open hearings on the topic of "Development--Balance and Prospects," heavy public attendance forced it to move from the usual hearing room in the Bonn House of Delegates to the conference room of the Union faction in the main building. However, the echo in the so-called media did not reflect this interest in questions of developmental policy on the part of the population. One wonders whether this was perhaps caused by the fact that only experts from Western industrial countries were heard?

It is a peculiar thing when not a single one of the partners of developmental cooperation, no one from areas which developmental help is supposed to make capable of helping themselves in the future, is invited to render their opinion about how the results of existing cooperation are evaluated by the Third World. After all, considerable testimony could come from people from developing countries as to whether developmental aid is actually doing something and, if so, what or whether, in contrast, it has a negative influence on efforts by developing countries or is possibly harmful or even "lethal," as claimed by Brigitte Erler, a former employee of the Bonn Developmental Ministry and current Amnesty International general secretary.

The delegates received only balances and prospects from the view of members of the industrialized world. To a certain extent, one was among providers, even though there were frequent differences of opinion. In the developing countries, people who say that one cannot enter into a true partnership relation with industrialized nations because they only permit their own views to be applied, found confirmation. Self-critical remarks, which were in ample evidence in Bonn during the developmental assistance hearings, can presumably alter little in this situation. And even though the experts try as they might to achieve objectivity--a certain "we know better" undertone is reflected in their positions. It is repeatedly said that the developing countries cannot only learn something from us, but rather that we can learn something from them. In the final analysis, what is decided, however, is again only what the industrial nations consider to be right.

However, they have become uncertain of themselves. This can be seen not only from the differing recommendations by specialists during the hearing, but also on the basis of the many skeptical questions posed by the delegates. It is only now that some appear to become aware of how difficult it is to cooperate in developing another nation. Nevertheless, the overwhelming majority of the experts favored continuation of developmental cooperation. Even such a skeptic with respect to developmental help as Britain's Lord Bauer, who defended the opinion that economic success and progress of society depends on countless other effective factors, both past and present, sees no other possibility than to continue economic development "on the basis of the political, commercial, and economic interests brought here," even though he would like to see it carried out "essentially better" than thus far. But how does one do it better than thus far?

A more effective developmental policy was favored by most of the other experts, but there were considerable differences of opinion with respect to methods. The delegates will have a difficult time to filter through the advice to find those proposals which might lead to something. Frequently, one heard mention of "outline conditions" which would have to be right in order for the aid to work as the initial ignition. This is understood to mean that not only the capability for administration (that means essentially control) of projects in countries with which the Federal Republic engages in developmental cooperation must be present, but also that the economic and financial policies pursued by the recipient government should present the overall prospect of meaningful utilization of developmental means. A second point was coordination. Obviously, efforts on the part of providers and recipients are frequently inadequately coordinated.

Adequate "self-efforts" on the part of developing countries are also among the frequently mentioned preconditions for "better" development policy, as is the concentration of these countries upon satisfying the fundamental needs of their populations. It is said that this can be more readily achieved through priority support for agriculture with the goal of self-sufficiency, but also through support of small artisans and the establishment of self-help initiatives by the poorest of the poor, who must be assisted in attaining more buying power. The headline over this chapter could read: "What Must Change in the Developing Countries." What the governments of developing countries were expected to provide by way of reforms was once more listed: redistribution of land ownership, halting of corruption, better care for the extremely poor. The industrial nations can only influence these "outline conditions" in a limited manner, perhaps through the "policy-dialogue" which could serve to bring home the concepts of the aid providers to the recipients more emphatically than heretofore, or by favoring such countries in developmental cooperation which demonstrate more goodwill than others in improving their "outline conditions."

In another chapter, entitled "What Must Change in the Industrial Nations," the most frequent mention was growing protectionism in the industrialized world (or at least, little readiness to dismantle protectionist and other trade restrictions) and of the dangerously high indebtedness of a number of developing and "threshold" countries, primarily in Latin America. In both cases, in the judgment of the experts, it is in the interest of the industrial nations to

remove these obstacles as soon as possible or, at least, to minimize them. The fact that some countries must use a high proportion of their export profits to pay interest and principal on loans was said to be intolerable for the long run by most of the experts.

Also, with respect to protectionism, the concept prevailed that it was not acceptable to assist developing countries first to become export-capable (how else would they earn their foreign exchange?) and to then later deny them access to markets through trade barriers. Particularly with respect to the highly indebted countries, it is often a question of life or death whether they can export enough or not. The experts sharply criticize the agricultural policies of the European Community. One specialist accused the Western industrial countries of only fulfilling a maximum of 30 percent of the demand of their liberal economic system.

In other words, the hearings were a mixture of criticism and self-criticism. Committee chairman Holtz (SPD) had designated the goal of the hearings to be "an even, realistic balance." The hearing was supposed to contribute to "clarification and substantiation" rather than perhaps strengthen the pessimism surrounding developmental aid. Whether this pessimism will diminish or even increase in future is less dependent on the legislative aspects than on the capability of the executive. The latter bears the main responsibility for German developmental policy. The government, which has just passed the new "basic developmental policy" which already takes into account much of what the experts presented at the hearing, would do well to read carefully through the protocol of this meeting. It contains some tools not only for the appropriate committee, but also for the government.

5911

CSO: 3620/660

POLITICAL

FEDERAL REPUBLIC OF GERMANY

LABOR MARKET FOR UNIVERSITY GRADUATES REVIEWED

Berlin DER TAGESSPIEGEL in German 4 Apr 86 p 15

[Article by Uwe Schlicht: "More Than 100,000 Unemployed Academics in the 3d Year--Overview Provided by the Federal Institute of Labor--Difficulties for 20- to 30-Year-Olds"]

[Text] Unemployment among academics is increasing from year to year. This is so despite a generally palpable economic upswing. The number of unemployed academics from specialized advanced schools and universities has exceeded the 100,000 mark for the 3d year and would be still higher for 1985 had not a better employment policy come along. However, academic unemployment will remain a problem for the foreseeable future.

In contrast to previous years, when primarily the Social Democrats repeatedly downplayed a possible unemployment crisis among academics because it threatened to damage the goals of educational expansion, the problems are at least being called by name today. If by the year 2000 some 3 million academics will be graduating from advanced schools, the Bund-Laender Commission for Educational Planning calculates that there will be growing employment problems. Only about 1 million positions are available for 3 million academics--positions for which academics would be truly needed. Many positions which are occupied today by middle-aged academics will not become available until after the year 2000.

For the first time, the limit of 100,000 unemployed academics was exceeded in 1983. Between 1982, when only 82,000 unemployed academics were counted, and 1983, there was a significant leap. Following the 105,362 unemployed academics of 1983, 1984 already saw 114,610 unemployed holders of advanced school certificates and in 1985 there were actually 117,535.

Teachers at the Head

The professions having the largest number of unemployed academics have remained the same in the last few years. At the head are teachers, followed by engineers, by economic and social scientists, including particularly

psychologists and sociologists, providers of social care, natural scientists, and graduates in the humanities. The following numbers of unemployed academics were registered in 1985:

Teachers (including professors)	28,954
Engineers (University and advanced schools)	19,108
Economic scientists and social scientists	13,445
Social care professions	11,532
Humanities	7,840
Natural scientists (Physicists, chemists, mathematicians, biologists, geologists, agronomists)	6,564
Artists	5,433
Physicians and pharmacists	5,702

Physicians and pharmacists are listed here in last place because with respect to these professions this is essentially a job-seeking type of unemployment. The duration of unemployment of only 4.6 months shows this clearly. Otherwise, the duration of unemployment for academics averages between 7.2 months and 7.8 months. Unemployment among academics is today of longer duration than unemployment with respect to other professions (6.8 months). A good quarter of the unemployed academics has been registered with the employment office for an entire year or more; 11 percent have been without jobs for 2 years or more.

Now as before, the group most affected are those beginning their professions. Graduates of specialized advanced schools who are changing over to practical training after 3 or 4 years, are to be found among those initiating their careers among the 25- and 30-year-olds; graduates of universities, following an average of 6 years of study, are appearing among the 30- and 35-year-olds. According to data provided by the Federal Labor Office, 39 percent of the unemployed graduates of specialized advanced schools fall in the age group up to 30 years of age and 66 percent of the unemployed holding university degrees fall into the age group through 35 years of age.

With respect to the individual professions, a very variable picture has developed during 1985. Despite considerable unemployment, engineers profited from the boom. Unemployment declined when it came to capital investment and technical consumer goods. This was of benefit to engineers and machinebuilding and vehicle-building branches, as well as in the electrical industry. Because of the unsatisfactory development in the construction area, unemployment among construction engineers and architects increased.

Among the natural scientists, it was particularly physicists and mathematicians who benefited from economic developments. Chemists also did well in the labor market. On the other hand, biologists and agronomists recorded a 33-percent increase in unemployment.

Youth Unemployment Remains a Problem

Now as before, unemployment among young people is a considerable problem. Unfortunately, federal statistics continue to show youth unemployment only with respect to those under 20 years of age. This group of unemployed young people has shown some successes for years, although the actual problem of youth unemployment has long since shifted to the age group of 20- to 25-year-olds and 25- to 30-year-olds. Internationally, both the Economic Community as well as the OECD consider youth unemployment to be a factor through the 25th year of life. Where the problems really lie can be seen by the development of unemployment among young people, broken down by age group:

<u>Age Group</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Under 20 years	135,371	194,848	203,442	176,844	174,390
20 to 25 years	239,639	356,298	419,892	405,536	389,155
25 to 30 years	194,742	280,366	332,354	333,478	333,189

Despite this development, politicians speak more about the group under 20 years of age than about the still greater problem groups of 20- to 25-year-olds and 25- to 30-year-olds. The greatest efforts are devoted to the creation of still more training positions; however, what happens after training is largely lost.

Among the unemployed youths under 20 years of age, the majority of 125,000 had not completed vocational training and some of them had not even completed their basic schooling. The same cannot be said of young people in the 20- to 25-year age group. Of the 389,155 unemployed in this age group, the majority had completed vocational training (212,700) and only a minority (176,500) could show no professional training. This clearly shows that after completing their education, employment possibilities are lacking now as before. The fact that professional training is being concluded, in growing measure, by higher age groups also plays a role. At least the employment offices have recognized this and have intervened more strongly in this area with measures designed to identify jobs, with professional continuing education, and retraining.

5911

CSO: 3620/658

POLITICAL

ITALY

SERVELLO RETAINS POSITION AT MSI CONFERENCE

Milan IL GIORNALE in Italian 20 Mar 86 p 2

[Article by Arturo Diaconale: "Counterorder Among Comrades: Servello Remains Grey Eminence of the Social Movement"]

[Text] Rome--Two days of choppy sea in the MSI-DN [Italian Social Movement-National Right Wing]. Over the course of 48 hours, Secretary Giorgio Almirante first took away from and then restored to Vice Deputy Secretary Franco Servello one of the most important and delicate responsibilities for the functioning of the party: that of organization.

These were not concrete actions. Almirante did not make formal the decision to take the organization responsibility away from Servello. And thus, naturally, he did not need to make official the subsequent restoration. Everything took place without recourse to specific discussions, with the greatest discretion. However, there were also some leaks from the new MSI headquarters in Via della Scrofa. According to these rumors, it all started on the day after the MSI national conference held in Taormina last week.

When he got back to Rome, Almirante was reportedly urged by some of the faithful--the names of Senator Michele Marchio, of one of the four vice secretaries, Mirko Tremaglia, of Deputy Franco Franchi, and of the head of the press office, Massimo Magliaro, were mentioned--to give a kind of guarantee to the various elements of the party. That is, to reassume control of organization in order to assume preparation for the next congress, planned for the fall, without shadows and risks of influence in favor of this or that group. Thus, take the responsibility from Servello and carry it out himself during the precongress phase.

In fact, Servello has been called the most authoritative of the so-called "Rimini quadrumvirate" (deputy secretaries Pino Rauti and Raffaele Valensise, Secretary of the Youth Front Gianfranco Fini, and Servello himself), who, at Rimini, reportedly drew up an action pact in prospect of the after-Almirante period.

Initially, the MSI secretary reportedly answered negatively. Then, in face of new pressures, he is said to have accepted the request. According to some interpretations of Almirante's decision, it was favored by two needs. To

redimension the influence of the "Rimini quadrumvirate," above all now that he had decided to resubmit his own candidacy for the secretariat. To make an overture signal to the so-called group of "40-year-olds" composed of Romualdians Guido Lo Porti, Antonio Mazzone and Franco Petronio, and deputies Ugo Martinat and Nino Sospiri. On the occasion of the Taormina national conference, the group proclaimed its loyalty to the secretary but also requested review from square one of the party's current organization chart.

However, there was reportedly an immediate leak of Almirante's decision. At which point, Franco Servello, who was not at all eager to switch from vice deputy secretary to a role of half deputy secretary, reportedly undertook counteraction. He went to Almirante's study and, after a long conversation, convinced him of the inadvisability of the action. So after 2 days of troubled water, tranquillity has reportedly returned within the MSI.

In reality, however, this is only a peace of appearance, related to the need to avoid distracting the party from the now imminent appointment of the Sicilian elections. Behind the restored calm are concealed strong tensions. The prize stake is no longer winning the secretaryship, since Almirante has in effect resubmitted his own candidacy, and if he has a problem it is only that of being unanimously reconfirmed, as at the past congress. The real stake involves the internal responsibilities. In fact, only the one who controls the party during the next few years will be able to have his cards in order to participate in the succession--when it happens--of Giorgio Almirante.

And the MSI tensions are also reflected within the CISNAL [Italian Confederation of National Labor Unions]. Here also, the "40-year-olds" are asking for review from square one and are calling for retirement of Secretary Ivo Laghi.

9920

CSO: 3528/110

POLITICAL

ITALY

GUALTIERI ASSAILS SECURITY SERVICE CORRUPTION

Rome L'ESPRESSO in Italian 30 Mar 86 p 25

[Interview with Libero Gualtieri, chairman of the parliamentary committee on the secret services, by Pietro Calderoni; date, place not given]

[Text] In this interview, Libero Gualtieri, chairman of the committee that controls our secret agents, criticizes the sentence that absolved General Musumeci and colleagues. He said: "There were deviations, and profound ones."

"We accept as an established fact that within SISMI [Service for Intelligence and Military Security] there is an offshoot structure called SuperSISMI. To think that people like Musumeci and Belmonte, that is, the high ranks in the secret services, should have done what they did only to stash away a little money is frankly incredible. Their purpose was quite different: that there were facts and actions aimed at upsetting democratic order and twisting the rules of the game is an incontrovertible fact." The one speaking so toughly is chairman of the Republican senators, Libero Gualtieri, chairman of the parliamentary committee for control of the security services activity. Gualtieri was very surprised and grieved by the sentence issued by the Rome court of appeal on Friday, 14 March, that, by absolving Pazienza, Musumeci and Belmonte of the offense of criminal association, denied the existence of a parallel and deviate structure within SISMI.

[Question] Senator Gualtieri, you are convinced of the existence of the SuperSISMI?

[Answer] "We of the parliamentary committee confirm our political evaluation as to the existence of the SuperSISMI. There have been deviations, and profound ones. Deviations that have impeded the establishment of many facts and identification of the authors of a massacre, the one in Bologna station. In short, we are not dealing with persons who are dishonest for private reasons. We committee members confirm that at the top of SISMI there had been established a "parallel structure," which was born in part from the plans of the heads of Lodge P2, free of formal commitments and effective controls, and thus deviate and very dangerous."

[Question] Thus, you committee members had also identified the ties between the P2 and SuperSISMI?

[Answer] Also Minister Scalfaro, in his last speech to the Chamber on the P2, stated that the fact that the heads of the secret services were all on the side of Gelli demonstrated the seriousness of the degeneration underway. Also the top-level judges had warned of the danger of the SuperSISMI. Let us hope that the final sentence will reverse the second-level one..."

[Question] You in the committee were among the first to condemn the degeneration of the SuperSISMI during the Cirillo case. What emerged from that?

[Answer] "It was not SISMI that carried out the Cirillo operation, but General Musumeci, who did not have authority to do it. On that occasion, SuperSISMI carried out an operation of very serious degeneration and deviation of institutional responsibilities. But I would like to add one thing: in the view of these judges, who do not believe in the existence of Super SISMI and its deviations, why in the world are we committee members so busy trying to clean up these secret services? I say to them: we are doing so because those services were polluted, deviated, that behind them there was the P2 that was promoting its plan..."

[Question] What else struck you about the Rome sentence?

[Answer] "There is another fact that astonished me. It is strange, very strange, that the state lawyers, having presented themselves as the plaintiff, should subsequently have been the first to request at the second-level trial that the criminal association charge against Pazienza, Musumeci and Belmonte be dropped. But how? If it was with that crime that it all started! I repeat: this was rather strange behavior that I would like to have explained. In short, first the state established itself as the plaintiff and then abandoned the main point of the charge. What is this?..."

[Question] Chairman Gualtieri, do you maintain that this sentence could also influence other investigations underway regarding the SISMI deviations, such as the Bologna investigation?

[Answer] "I view with concern a tendency in certain trials to nullify criminal association. This does concern me. Don't they understand that only by criminal association is one capable of portraying that dovetailing system that has contributed so much to polluting the political life of our country? Now, Pazienza, Musumeci and Belmonte are under indictment in Bologna. If the criminal association charge also fails at Bologna, what will happen? Do you think that embezzlement alone can explain years of deviations and treasons? Let us talk straight: if they mean to say that at all costs there was no plan, if we say that those gentlemen were only chicken thieves, then this means that they do not want to understand what has happened in Italy in the past few years."

[Question] How is it that in the so many investigations of deviations by the secret services there never emerges any political responsibility?

[Answer] "It is true, in all these reconstructions that are made, there never appears any political one. Yet, the secret services certainly had some

political motives, certainly they had political connections. In the Cirillo case, we committee members tried to identify the political responsibilities. Believe me, we have not given up. We are now doing the same task for the deviations in our secret services relating to the disappearance of newsmen Toni and De Palo in Lebanon. It is not possible that no political figure knew about it."

9920

CSO: 3528/110

POLITICAL

ITALY

'LEFT WING FOR EUROPE' CENTER OPENS IN ROME

Rome L'UNITA in Italian 21 Mar 86 p 2

[Article by Giovanni Fasanella: "Leftists: Joint Program for 1989 European Elections"]

[Text] Rome--A joint program of the left for the 1989 European Elections: with this objective, "ambitious but achievable," a "Left Wing for Europe" center has been established in Rome. The official presentation was held yesterday, at the foreign press office. There were three promoters of the initiative, the historic socialist, Gaetano Arfe; RINASCITA Director Giuseppe Chiarante; and former European deputy, Social Democrat Mauro Ferri. In the hall were also some personalities who have joined it. Some of the names: Communists Gian Carlo Pajetta, Giorgio Napolitano and Gianni Cervetti; Socialist Rino Formica; European deputy Altiero Spinelli; Social Democratic representative Giampiero Orsello; leftist independent Franco Bassanini; producer Gillo Pontecorvo; Antonio Giolitti; and many others.

The idea of establishing a center was born out of an initiative by RINASCITA, which some time ago sponsored a debate prompted by an Arfe article on prospects of the left and Europe. But what is this all about exactly?

The center does not seek to replace the parties, nor to impinge on the role of movements that have been committed for some time to European issues. Nor does it want to be a study center. Rather, as the promoters have explained, it has the ambition to offer itself as a political-cultural stimulating factor for the left, but also for forces and individual personalities not identified with the historic parties of the workers movement. Precisely with the objective of identifying fields for joint action in Italy and, naturally, beyond the national borders.

Some of those present took the floor to explain, each from his own point of view, what is expected of this initiative.

Spinelli criticized a tendency of the European left to turn in on itself, without seeking points of contact with other forces, either Christian or liberal-democratic. Giolitti placed emphasis on the necessity for concrete action, and "not only exhortations," in the field of the left; and that the center proposes to be a reference point not just for the "elites of two or

three parties." Cervetti, Communist group chief in Strasburg, explained that the political problem is to "broaden the base of active Europeanism." And this can be done only "if there is a commitment by a united left" and if the left is not confined to the "PCI-PSI relationship." This point was also dwelt on by Ferri. Then it was the turn of Pajetta.

"If there is something that should concern us," said Pajetta, "it is that everywhere in Europe the left is the target of very harsh attacks, it is divided, and it is receiving blows, including hard ones." The field to work on is unity, which should, however, not be "confused with unification." In short, it is a matter of identifying some points on which a convergence is possible that "will enable us to appear as a leading force, also in contacts with other forces." However, the method must be precisely that of identifying convergences and identifying "what to work on, not starting from ideologization to reach joint action." Enriquez Agnoletti and Bassanini also stressed the urgency of finding a common field of action. The latter in particular added that on the internal front leftists are facing problems in common with those of the other European progressive forces. The microphone was then passed to Napolitano.

He said first of all that the European field can be an element for unity; and then that the Italian left can make a contribution aimed at characterizing in a Europeanism sense all the forces of the left. He expressed desire for an "axis" of the Italian left, the German Social Democrats, and the French Socialists; an axis that could constitute a rallying point also for other forces. Napolitano then dwelt on news of the internal debate of the left, and hence the interconnection between the confrontation over the strategies in each country and that in regard to European prospects: "We cannot develop a reformist strategy here without linking it with a common Europeanist strategy." However, he added, "Unity of the left in Italy also means unity among the leftist parties, unity to be built over time."

Mario Telo, a scholar of the social democratic movement, emphasized with satisfaction that "for the first time there is talk about Europeanism of the left, of the mass parties of the left." And Prof. Franco Capotorti, for his part, explained that the favorable outcome of the experiment just started depends primarily on an ability to come to terms with the reality, since for now "we have only two hopes: the European left and Europe." Meanwhile, he added, it would be useful to understand "what the Europeanism of the left is."

In closing, both Chiarante and Arfe summed up the questions. Chiarante announced that the first public initiative by the center will be to promote a "dialogue on what kind of Europe the left proposes to bring about"; and he said that the centers that will be established in various Italian cities "will make few appeals and a lot of political initiative." As for Arfe, he said that the initiative, although emerging from the environment of the left, "does not aim to block the path to any cooperation." However, the main purpose, he added, is that of "introducing new elements into the culture of the left." In fact, two "mistaken internationalisms" must be overcome: the socialist, "ecumenical and ideological"; and the communist, "that oriented on state direction."

Here follows the first list of personalities who have joined the center, "Left Wing for Europe": Enzo Enriques Agnoletti, Aldo Aniasi, Gaetano Arfe, Franco Bassanini, Luigi Berlinguer, Giuseppe Boffa, Piero Boni, Arrigo Boldrini, Franco Capotorti, Luciana Castellina, Simone Ceramicola, Gianni Cervetti, Giuseppe Chiarante, Carla Codrignani, Federico Coen, Virgilio Dastoli, Ottaviano Del Turco, Francesco De Martino, Luciano De Pascalis, Mario Dido, Guido Fanti, Mauro Ferri, Rino Formica, Anita Jallet Garibaldi, Antonio Giolitti, Pietro Ingrao, Felice Ippolito, Luciano Lama, Alberto Moravia, Giorgio Napolitano, Giampero Orsello, Adriano Ossicini, Gian Carlo Pajetta, Gillo Pontecorvo, Franco Piro, Giuliano Procacci, Stefano Rodota, Giorgio Ruffolo, Altiero Spinelli, Giglia Tedesco, Mario Telo, Carlo Tognoli, Salvatore Veca, and Mario Zagari.

9920

CSO: 3528/110

23 May 1986

POLITICAL

NETHERLANDS

LEADER OF EXTREME RIGHTIST PARTY GIVES VIEWS

Amsterdam DE TIJD in Dutch 11 Apr 86 pp 8-12

[Interview with D. Segers, list leader of the Center Party [CP], by Tom-Jan Meeus: "D. Segers in Sodom and Gomorrah. A CP List Leader in the Breach for Constitution and Democracy"; in Linden; date and occasion not given; capitalized passages emphasized in original; first paragraph is DE TIJD introduction; omitted portions are mostly comments about Segers by other CP members]

[Excerpts] Things were a muddle in the country, even the VVD tolerated the chaos. So he reported for duty to the Center Party, "because it was necessary to come to grips with a number of taboos." Now he is the no. 1 man, and his wife is sixth on the slate. At home in Linden, far away in the northeast corner of Brabant, he explains how things are in politics and elsewhere. A pity that photo with the national tricolor did not work out.

The subject of these comments is Segers, D., the new no. 1 man in the Center Party. The little party that represents Netherlands cryptoracism in the Second Chamber.

At present H. Janmaat holds the seat, but he was expelled again almost 2 years ago by his former colleagues. Since then the little party has witnessed an almost endless fight for power. The one expulsion followed the other. "Anybody who came out against Segers was in for it," according to A. Lier, who held out for a relatively long time. Now Segers is just about the only one left. He has been chosen list leader. His wife in the meantime made it to sixth place on the list of candidates.

It was planned to settle scores with Segers at long last during the meeting in Kedichem that was disturbed by "anti-Fascists" 10 days ago, but fire made that impossible.

So that this D. (Danny) Segers--given the polls--will in all probability make his entry into Parliament in May.

How did Segers save himself? How bad is he? What are his methods?

The actual object of the comments turns out to be as friendly as can be. It is true that he has been disappointed, these past years, but oh, he does not want

to make such a big thing of it: he did it ALL for the party. Criticism of him? Very possible, but you have to realize that it was all done according to the rules. The expulsions? Not because HE wanted it that way, but because people had behaved "undemocratically" in various ways, which "made it impossible to keep them." No, he does not want to waste a lot of words on that.

Let us use a different method. He will waste words on other subjects, the expellees will waste words on him.

He shot up with lightning speed. He had only been a member for a short time when he became a member of the executive committee. He sold himself as a private "marketing and PR advisor," and also owner of a "business in electronic equipment." Born in Weert in Limburg, he had had a long career abroad--he returned to the Netherlands only at the end of the 1970's.

In May 1984 he climbed higher in the little party: he was chosen party secretary. Shortly after that came the first expulsions, including that of Janmaat. The leaders who remained had "a new line," thought up by Segers. The Center Party, the complaint went, was a one-issue party, was aimed too much at the issue of foreigners. Things had to change. Segers laid down the line. The Center Party would have to be "nicer," he felt.

We are about 30 minutes into the conversation with Segers. There has been constant talk of "the Netherlands for the Netherlanders," "the Netherlands once again secure," "the Netherlands that fights crime," "especially committed by foreigners." Even so he grasps the nettle: "In Janmaat's time the Center Party was indeed a one-issue party that didn't offer any alternatives. When he was gone, the first thing we did was go to work on that. You have to offer solutions. We studied that, prepared memoranda."

And as if he had never spoken those words: "BACK TO THE FOREIGNERS. Eighty percent of the foreigners want to go back, they have to be given the opportunity to do so." After which he explains in detail how the Center Party wants to accommodate them. Because "70 percent" of the development funds does not end up where it is supposed to, it would be better to put it into re-migration projects: Netherlands companies are set up, foreigners go to work for them in their country of origin and even receive support for 5 years. "That kills two birds with one stone. Netherlands business is stimulated, and the foreigners can go back to their own countries, if they want to anyway. That's great, isn't it?"

He confirms that this would leave considerably less money for development aid. Because "we can't be the whole world's social service."

[Question] There IS hunger in the world.

[Answer] "But the Netherlands is too small a country to eliminate the hunger of the whole world, isn't it?"

[Question] Then let's eliminate a little hunger. That's better than nothing.

[Answer] "But that little bit is a drop of water on a red-hot griddle. In that case let's adopt a specific country. And look first of all at our colonial obligations. Let every country do that, then we'll be doing a lot better."

[Question] So you're saying: we can't help the hungry in the world?

[Answer] "Listen to me: if my neighbor is hungry, I can give him a slice of bread, but then he's still hungry. In that case it's better to adopt a specific country."

[Question] So you give a neighbor a thick sandwich, and all the other neighbors just have to stand there and watch?

[Answer] "But you can't claim it's all up to the Netherlands, can you? Let the other rich countries do something for a change."

Segers: "I became a member of the CP in '82, in September. I came back from Belgium and found such a muddle here that I said: it really can't go on like this. I supported the VVD [People's Party for Freedom and Democracy], but that was all too slack for me. Haya van Someren was gone, Wiegel too, Nijpels was the new leader. The party didn't come out for freedom and democracy any more, it was tolerating the chaos in this country. Except for one or two: Molly Geertsema for instance, and Toxopeus. Anarchy was rising in the Netherlands. THE WHOLE DEMOCRATIC SYSTEM WAS IN DANGER. Something had to be done politically. That's how I ended up in the CP, because it was necessary to come to grips with a number of taboos."

Segers, on his "personal source of political inspiration": "The mismanagement. Otherwise you wouldn't need the CP. The CP came into being because of discontent."

A little later he has a different source of inspiration: "Our ideology is in the first place: TO SECURE THE CONSTITUTION. They no longer observe it. We are on the path of moral decay and pauperization. Too much toleration, anything goes, anything is OK. Crime reaches new heights. It's Sodom and Gomorrah."

And after a few questions: "Our ideology? It is: we have to create a livable country, where these conditions are no longer possible. That's what I base the Center Party's ideology on."

A little litmus test.

[Question] In recent weeks the cabinet has been discussing where cuts should be made in '87. Where would you have chosen to make them?

[Answer] "Cuts--yes, that's a problem... [Ellipses as in original] We do indeed feel they have to be made, but not at the expense of the lower incomes. They should be made at the expense of the higher incomes."

[Question] But the discussion in the cabinet is, shall we say, somewhat more specific: how will we make up for the revenue lost as a result of lower gas

revenue? What would you have opted for, the CDA view or the view represented by the VVD?

[Answer] "The CP would start by revising the contracts signed abroad, which set too low prices..."

[Question] That's not possible.

[Answer] "It is possible, oh yes." He shouts, a bit panicky: "Anything is possible, anything is possible! We've seen that: everything is possible. Nothing is impossible any longer. I'm not surprised at anything any more: everything is possible. So let's just work on that basis. That's why I say: let's revise those agreements. We've sold gas for 10 cents and then bought it back for 30 cents. That's crazy, isn't it?"

[Question] Fine and dandy. But we have an acute problem for '87. Your solution?

[Answer] "You can't absorb that. Straightening out an amount like that is absolutely impossible. It's impossible. The Netherlands state maybe will absorb it by maybe taking out some loan or other, which also won't solve anything, because you have to pay it back, and interest besides..."

[Question] No, yesterday the cabinet came out with a specific package of cuts.

[Answer] "Yes, but yesterday I wasn't able to follow that, we're in such a stress situation... All the papers from the Second Chamber are laying around still unopened." He rattles on about cuts that are impossible "in that amount."

[Question] But we still have that problem for '87.

A new trick: "We have to take a fresh look at the whole situation. For instance, that's what we have the Public Accounting Office for. Let's just take a look at the sore points they've put their finger on. That'll bring in piles of money."

[Question] You still haven't found those billions in cuts for '87.

[Answer] "No, and we won't find them either. This cabinet won't manage it, nor the next one."

Let us be a bit more specific.

[Question] Yesterday, for instance, the cabinet decided to do away with the wealth and inventory allowance for business. Do you agree that was a good idea?

[Answer] "You'll have to look at that for each business."

[Question] That's impossible.

[Answer] "No, it isn't."

[Question] You want to review each and every Netherlands company?

Unperturbed: "Now, you see, we're getting into the RSV [Rijn-Schelde Verolme] state of affairs." So he does not want to. "Who do they pick on? The economy, the goose that lays the golden eggs." No, that is not how it is. "The middle class they pick on too, the goose that lays the golden eggs, the thing our whole society revolves around, they pick on that. That has the reverse effect. Nobody has any more interest in investing and taking risks. Everybody goes abroad. Things go from bad to worse. And it doesn't solve anything at all."

"That's mismanagement. I tell you, mismanagement."

Segers: "I was raised as a Catholic. I hold on to that. I live by that."

[Question] Do you still go to church regularly?

[Answer] "We go to church regularly. But I don't practice my faith just there. I can practice my faith every day, in dealing with people, in my attitude. I want that to be visible every day."

[Question] What do you think of the Pope?

[Answer] "It's not for me to express criticism of the Pope, if there is any reason for criticism. And this Pope doesn't do a bad job at all. He's an ambassador for the Catholic faith who builds a lot of bridges, to other faiths too. That's a good thing. That breaks the structure of the Vatican as a monopoly, which is also a good thing. That kind of thing--I can only support it."

"What I do NOT support is the modernization of the Church. That leads to decay. People practice their faith very differently today than what I was used to. I have problems with that. Things have been dropped. What you used to have to do, you don't anymore. That makes me feel a bit like I've been tricked."

[Question] What do you have in mind?

[Answer] "Confession, for instance. You don't have to do that anymore today. I don't know. It's all gotten too tolerant nowadays. Before, you had something you had to do: confess your sins, take a look at yourself, what did I do wrong? Now things just slide by. Then you think: they didn't see it, just let it go. Society has slipped to a lower level. That's why it's so important to jack it up."

[Question] You mentioned your sins: do they just slide by now?

[Answer] "No. No, no. Go to confession? No, I practice self-examination. Look at what I've done. And then I say to myself: boy, you ought to have done that differently, you were too harsh, you weren't polite."

[Question] Can you give me an example?

[Answer] "Well now, that's very difficult."

[Question] What coalition should form the government after the coming elections?

[Answer] "CDA and VVD."

[Question] Why?

Despite all that mismanagement, he says: "I think they haven't done badly at all. And I'll be scared stiff if we get again what we had in '73-'77. We'd be playing Santa Claus to the world again. I say it straight out and honestly: I don't have any confidence in it. If those people come to power again, it would be a very bad thing for the Netherlands."

[Question] Lubbers has got to stay on as prime minister?

[Answer] "Oh yes. I think that guy does terribly well. It's like with the Pope: I don't always agree with him, but on the whole I say: they haven't done badly."

[Question] Who do you think is the best politician in the Netherlands?

[Answer] "I think Lubbers is really very good."

[Question] And then?

[Answer] "Then it gets really very difficult. Who shall I say after Lubbers?"

[Question] Janmaat?

[Answer] "Oh... Do you really mean that?"

[Question] I'm just making a suggestion.

[Mrs. Segers] "A man who doesn't come up with suggestions and is all slogans..."

He interrupts: "What's-his-name I think is good too. The one who's not involved in politics right now, but even so: Steenkamp. Is very good. But for me the best is still Drees. But that has nothing to do with now, does it?"

[Question] No.

She: "Wiegel and Van Agt?"

He: "Yeah, Wiegel and Van Agt. That's who I'd say, yeah."

[Question] Lubbers, Wiegel, and Van Agt?

She: "Not so much Van Agt, but..."

He: "Wiegel for sure, yeah. Let me say: Lubbers, Wiegel, and Van Agt would be a strong, strong team, yeah."

He goes on to say that Lubbers has done good work, but that it was all too tolerant, and so on.

She: "Now when you see that Mr. Lubbers has gone into a mosque. That wasn't really very convincing."

He: "That's an entirely different matter. But I tell you: Lubbers is my pick out of the leading people today."

[Question] Can you think of any attractive politicians abroad?

[Answer] "I think that Margaret Thatcher is terrific. And I think that Reagan doesn't do at all badly either."

[Question] Le Pen?

[Answer] "He'll have to prove himself. I still haven't ever spoken to Mr. Le Pen. I don't think I should believe all the things they write about him. I still haven't ever read an electoral program of his--yeah, may sound strange, but that's how it is. Le Pen fulfils the same function as we do here, right?"

[Question] What do you think of Den Uyl?

[Answer] "A man who should have gotten out long ago. And a man who did it all wrong in '73-'77. And who despite that hasn't learned anything."

[Question] You know that Lubbers was a minister in his cabinet.

[Answer] "Minister of social affairs, yeah. Uh, no, economic affairs. Right. What you mean is: was HE wrong then too? Am I right?" At which D. Segers explains how things are in politics: "You know how it is. The council of ministers works like this. They try to look to the outside world as though they agree, even though they don't have to agree with one another at all. The majority rules. That's the position they have to espouse. That's how it works."

[Question] And whoever disagrees fundamentally with the decisions leaves the cabinet.

[Answer] "Who, Lubbers?"

[Question] Assuming your theory is right that he disagreed with those decisions.

[Answer] "Then I want to put it differently: a fellow in that position only leaves when the prime minister has left first. I.e. Den Uyl. Just let him set the example."

You know how it is.

[Question] Mr. Segers, one last question. You were just talking about your sins. Can't you give us just one example?

[Answer] "No. No, no. It's not for me to do so. It's for others to confess their sins."

12593

CSO: 3614/95

POLITICAL

PORTUGAL

PCP CENTRAL COMMITTEE GREETs PCI CONGRESS

PM231320 Lisbon AVANTE in Portuguese 10 Apr 86 p 10

[Unattributed report: "Greetings Message to 17th PCI Congress"]

[Text] On the occasion of the holding of the 17th PCI Congress, the PCP Central Committee sent the Italian Communists' top meeting the greetings message which we reproduce below:

Dear Comrades,

We warmly and fraternally greet the delegates to the 17th PCI Congress and, through them, all Italian Communists. The PCI is a party of great traditions of struggle, deeply rooted in the working class and in the people's masses, without whose contribution life has demonstrated it is impossible to resolve Italy's grave economic, social, and political problems. We hope that your work will be crowned with the greatest success, and express to you our solidarity with the PCI's struggle in defense of the interests and aspirations of the working class and the working masses and for a democratic alternative.

In our country the political situation remains marked by a tenacious struggle by the working class, the people's masses, and the democratic forces in the defense of the 25 April [1974 -- FBIS] gains, and against the policy aiming at the restoration in Portugal of the power of the monopolies and the big estates which the revolution eliminated.

Highly important democratic victories were achieved during 1985, prominent among which are the fall of the Socialist Party [PSP] Social Democratic Party [PSD] coalition government, the positive change in the party and parliamentary scene, and the strengthening of the democratic camp, with the October legislative elections and the consolidation in the main of the democratic local government in the December local elections, in which the PCP and its allies in the United People Alliance gained over 20 percent of the electorate. However, with the defeat for the candidate supported by the PCP in the presidential election, an extremely complex and difficult situation for democracy was created. With respect to the extreme right-wing candidacy of Freitas do Amaral, who won 45 percent of the votes, the fascist peril arose on the horizon. In this situation, our party called and held, within the brief space of 5 days, the 11th special congress, which, without changing at

all its assessment of Mario Soares, decided to call for voting for this candidate against Freitas do Amaral, thus contributing decisively to the defeat of the revanchist and fascist-type candidate and to the creation of a dynamic of convergence and democratic unity which has opened up new and more favorable prospects to the people's and democratic struggle.

The PCP is currently concentrating its efforts on the struggle against the minority PSD government and its antipeople and antinational policy. Through mobilization of the people's masses, and seeking, as always, convergence and cooperation with all democratic sectors and parties, the PCP is struggling for a government which will ensure the defense and consolidation of the democratic system and the resolution of the most urgent and grave national problems. It is in this light that the meetings proposed by the PCP and already held with the PSP, the Democratic Renewal Party, the Portuguese Democratic Movement, and other democratic parties should be viewed. It is in this framework that the PCP is combating the current government's policy of subjection to imperialism, and condemns Portugal's entry into the EEC as an action ruinous for the national economy and gravely detrimental to our country's independence and sovereignty.

The struggle in defense of peace and for disarmament -- and primarily nuclear disarmament -- in order to prevent the militarization of space, resolve the gravest and most dangerous hotbeds of tension, and finally dispel the danger of a nuclear holocaust, requires cooperation among all the forces of peace and social progress, and primarily the strengthening of the unity of the international communist and workers movement. In the PCP's opinion, this is the sure way to bar the way to the hegemonist militarist plans of imperialism -- and primarily U.S. imperialism -- whose crazy arms race and arrogant interference in the peoples' internal affairs are wholly responsible for the exacerbation of international tension. The repeated disarmament proposals and initiatives of the USSR and the socialist countries -- specifically, the proposal put forward by Comrade Mikhail Gorbachev, aiming at the elimination of nuclear weapons by the year 2000 and those put forward by the 27th CPSU Congress -- are an extremely important contribution to the cause of peace and mankind's progress.

Dear Comrades,

Wishing once more the greatest success for the proceedings of your 17th congress, we reaffirm our desire to strengthen the relations of friendship and solidarity between the PCP and the PCI in the interest of the working class and the peoples of our two countries and of the common cause of social progress, socialism, and peace.

Long live the 17th PCI Congress!

Long live the friendship between the PCP and the PCI!

Long live proletarian internationalism!

/12929

CSO: 3542/94

POLITICAL

PORTUGAL

PCP'S PATO ADDRESSES BULGARIAN CP CONGRESS

PM301340 Lisbon AVANTE in Portuguese 10 Apr 86 (EM FOCO supplement) p 3

[Unattributed report: "Speech by Octavio Pato"]

[Text] Constantly surrounded by warm expressions of friendship and solidarity, both throughout its stay and in the course of the proceedings themselves, the PCP delegation which visited Sofia was one of the 135 foreign delegations invited to attend the 13th Bulgarian Communist Party [BCP] Congress.

Comprising Political Commission and Central Committee Secretariat member Octavio Pato and Central Committee member Carlos Luis Figueira, the Portuguese delegation was the fifth to speak from the congress rostrum, on the morning of the second day of the proceedings, immediately after the Soviet Union, Nicaragua, Greece, and Vietnam.

It is this speech, delivered by Comrade Octavio Pato, which we reproduce in full: Dear Comrades: It is with great satisfaction that we convey to the delegates to the 13th BCP Congress, all communists, and the people of Bulgaria and the PCP's warmest and most fraternal greetings.

We are following your congress proceedings with the greatest attention, and we hope that it will be a powerful impetus in the process of building the advanced socialist society, which will have a significance and repercussions extending far beyond your country's borders.

Your congress is a lofty expression of the consistent peace policy of the BCP and of the People's Republic of Bulgaria. For our part, we assess highly the socialist countries' peace proposals. We highlight among them the USSR's proposal, put forward by Comrade M. Gorbachev 15 January, to eliminate nuclear weapons by the year 2000. We emphasize the importance of Bulgaria's proposal, put forward by Comrade T. Zhivkov, for the Balkans to be an area free from nuclear and chemical weapons.

The aggressiveness of imperialism -- specifically, of the United States -- the frantic arms race, involving space itself, and the threat to, interference in, and aggression against peoples and countries reflect the acceleration of the capitalist world's general crisis and its class nature.

The contrast between the socialist countries' peace policy and imperialism's militarist policy and the contrast between the capitalist world in crisis and the socialist world in a stage of rapid development of its productive and technical and scientific capabilities are a clear demonstration of the socialist system's superiority.

The historic 27th CPSU Congress is a new creative impetus of Marxism-Leninism and marks a new stage of vigor and strengthening of the power of attraction of the ideals of socialism. Its holding, as well as the holding of the 13th BCP Congress and the new stage of development of the socialist community, are the strongest barrier to imperialism's militarist plans and will represent an enormous encouragement to the struggle of all peoples still oppressed and exploited. Since the struggle for the defense of peace is inseparable from the struggle for social progress and the peoples' independence, it becomes more necessary than ever to strengthen the unity and cohesion of the international communist and workers movement and to strengthen the cooperation and solidarity among all the revolutionary, anti-imperialist, and peace-loving forces worldwide.

In Portugal and Portuguese Communists' and democrats' struggle in defense of the April [1974] revolution's gains is combined with the general struggle in defense of peace and for national independence. The right-wing policy conducted by successive governments over the past 10 years has plunged the country into a grave economic and social crisis; a crisis which will be intensified with the consequences of Portugal's recent entry into the EEC. The reactionary forces have been striving for 10 years to achieve their central aim: to destroy the great gains of the April revolution and restore the power of the monopolies. The working class and the people's masses, at whose head is the PCP, have been struggling for 10 years for the defense of those gains and for the consolidation of democracy.

In 1985 the mass struggle and the legislative and local elections were characterized by the disintegration of the "central bloc" (the Socialist Party [PSP] and the Social Democratic Party), and by a significant and positive change in the state of the party forces represented in parliament.

In the election for the presidency of the republic in 1986 a new and difficult situation was created with the defeat in the first round of the democratic candidate whom the PCP was supporting. Freitas do Amaral, the candidate of the revanchist and fascist-type extreme right, and PSP Secretary General Mario Soares, with great responsibilities in the whole counterrevolutionary process, were running in the second round of the election.

Within the brief space of 5 days the PCP called a special congress, and 800 plenums of organizations and cells were held to discuss the Central Committee's theses, with the participation of tens of thousands of party members.

Without supporting M. Soares and while maintaining the criticisms of his policy, the congress decided to call for a vote against the extreme right's candidate by voting for M. Soares. Everybody acknowledges that M. Soares'

election was possible only through the massive vote by the communist electorate, who thus gave proof again of their high political awareness. With the defeat of the extreme right's candidate, the immediate danger of a counterrevolutionary fascist-type coup was dispelled, and with the broad convergence of democratic forces and sectors achieved around this aim, new and better conditions for safeguarding democracy and the April gains were created.

The PCP is continuing to struggle for a policy of a democratic alternative; an aim which is feasible only with the PCP's cooperation and participation. The process of the Portuguese revolution, contrary to what some people believe and disseminate, has not died; it is alive and will live.

Dear Comrades: The Portuguese Communists and the April Revolution have always met with great friendship and active solidarity on the part of the communists and people of Bulgaria. In the same way, you will always be able to count on the Portuguese Communists' friendship and solidarity, such as we have already displayed in the condemnation of imperialism's campaigns of propaganda and slanders against Bulgaria.

The relations of fraternal friendship, cooperation, and mutual solidarity which have always existed between our two parties have been and remain founded on the principles of Marxism-Leninism and proletarian internationalism. The ties linking our two parties are indestructible.

Long live the 13th BCP Congress! Long live Marxism-Leninism and proletarian internationalism! Long live the friendship between the PCP and the BCP!

/12929

CS0: 3542/94

POLITICAL

PORTUGAL

PCP SENDS GREETINGS MESSAGE TO GDR CONGRESS

PM301504 Lisbon AVANTE in Portuguese 17 Apr 86 p 11

[Unattributed report: "Greetings Message to 11th SED Congress"]

[Text] On the occasion of the holding of the 11th SED Congress, the Portuguese Communist Party [PCP] Central Committee sent the SED's top meeting the greetings message which we transcribe below:

Dear Comrades:

The holding of the 11th SED congress, coinciding with the commemorations of the 40th anniversary of its foundation and with the centenary of the birth of Ernst Thaelmann -- a prominent leader of the German workers' movement and of its class party, the Communist Party of Germany -- is an important event in your party's life and will certainly set the communists and people of the GDR exciting tasks, whose performance will contribute to raising your people's material and spiritual living standard and to the defense of peace and security in Europe and in the world. On this occasion, the PCP Central Committee warmly and fraternally greets the delegates to the 11th SED Congress and, through them, the communists, workers, and people of the GDR.

The SED -- the leading force of the first German workers' and peasants' state -- while being demanding with respect to its activity, can at the same time take pride in an impressive record of successes and achievements in building socialism in its fatherland. The GDR is today a clear affirmation of socialism's superiority, enjoys great prestige and authority in the world, and is an important encouragement to the workers' and peoples' liberation struggle.

Valuing the achievements and the extraordinary potential which the socialist system contains for satisfying mankind's aspirations for well-being and social justice, the PCP believes that the socialist countries are at the same time the main factor of progress and of the defense of world peace. The reality of the GDR fully confirms this. Valuing the political activity for peace and peaceful coexistence conducted by your party and your country, in conjunction with the other countries of the socialist community, we value in particular the recent initiative aiming at the creation of an area free from chemical weapons in central Europe, whose realization would represent a

significant step along the path of disarmament and of the alleviation of international tension. We likewise emphasize the importance of the Soviet party's and state's proposals aiming at the complete elimination of nuclear weapons by the year 2000, as well as the peace program adopted at the 27th CPSU Congress.

Imperialism -- and primarily U.S. imperialism -- is solely responsible for the exacerbation of international tension. Seeking to disregard the demands of the vast people's movement for peace and systematically rejecting the disarmament proposals put forward by the USSR and the socialist countries, the Reagan administration is intensifying the arms race on earth and planning its extension to space, and is at the same time practicing a policy of arrogant interference and aggression against sovereign countries. Attempting at all costs to halt and, if possible, reverse the advance of the workers' and peoples' liberation struggle and to impose its domination on the world, imperialism is threatening mankind with a nuclear holocaust.

However, the forces of social progress and peace are able, if united, to repel imperialism in its policy of confrontation. To this end, the PCP regards the strengthening of the cohesion and unity of the international communist and workers' movement and the strengthening and cooperation of all anti-imperialist and peace-loving forces as of decisive importance.

Dear Comrades:

In 1985, confirming the correctness of the assessment and of the course set out by the 11th PCP Congress, the workers' and democratic movement achieved important victories. The resignation of the Socialist Party/Social Democratic Party [PSD] government, the results of the legislative elections, with the positive change in the party political scene, and the defense and consolidation of democratic local government in the local authority elections, in which our party and its allies in the United People Alliance won about 20 percent of the votes, opened up as a whole prospects for favorable developments in Portuguese political life.

However, at the beginning of 1986, a particularly complex situation was created with the democratic candidate's defeat in the first round of the presidential election and the two right-wing candidates' progression to the second round. With respect to the extreme right's candidate, the fascist peril arose on the horizon. In this situation, the 11th (special) PCP Congress was called in an extremely brief space of time, it being decided to vote for Mario Soares against Freitas do Amaral, and this resulted in a decisive contribution by the PCP to defeating the fascist-type candidate and to the creation of a dynamic of democratic convergence which created conditions favorable to the continuation of the struggle for a democratic turn about in national life. It is in this context that the PCP conducts its activity against the antipeople and antinational policy of the current PSD minority government, mobilizing the masses and seeking unity among all democrats with a view to achieving a democratic alternative which will ensure the defense and consolidation of the democratic system and the resolution of the real and urgent national problems.

Dear Comrades: Expressing to you our desire to continue to work for the intensification of the ties of fraternal friendship, cooperation, and solidarity existing between our two parties, the PCP Central Committee, on behalf of the Portuguese Communists, expresses its best wishes for success in the 11th SED Congress' proceedings and in the subsequent implementation of its decisions.

Long live the 11th SED Congress! Long live the friendship between the PCP and the SED! Long live proletarian internationalism!

/12929

CSO: 3542/94

23 May 1986

POLITICAL

PORTUGAL

PORTUGUESE COMMUNISTS GREET BCP CONGRESS

PM211821 Lisbon AVANTE in Portuguese 3 Apr 86 p 11

[Unattributed report: "Greetings Message to 13th BCP Congress"]

[Text] On the occasion of the holding of the 13th Bulgarian Communist Party [BCP] Congress, the PCP Central Committee sent the Bulgarian Communists' top meeting the greetings message which we reproduce below:

Dear Comrades,

At this moment of great significance in the life of your party and people, the PCP Central Committee, on behalf of the Portuguese Communists, warmly and fraternally greets the delegates to the 13th BCP Congress, and through them the communists and working people of socialist Bulgaria.

Well-known for its rich revolutionary traditions, the BCP can take pride in a long and glorious history of struggle. We hope that the aims which you intend to achieve -- specifically, in the acceleration of economic development, the constant improvement of the Bulgarian people's material and spiritual well-being, and the enhancement of socialist democracy -- will be crowned with success.

The successful achievement of those goals concerns not only the Bulgarian people but is also a strong encouragement for the struggle of the workers and peoples of the whole world still subject to exploitation and capitalist oppression.

Capitalism has finally lost the historical initiative. And despite the difficulties, the obstacles to be surmounted, and the mistakes, the socialist system is confirming its superiority. The decisions of the 27th CPSU Congress represent a further creative contribution to socialism's development.

The PCP appreciates and expresses its high regard for the initiatives, proposals, and tireless efforts made by the socialist countries in support of disarmament, detente, and peaceful coexistence -- specifically, the plan recently put forward by the USSR, aiming at the complete elimination of nuclear weapons by the year 2000. Within this same spirit, it regards the

People's Republic of Bulgaria's initiatives for turning the Balkans into a zone free from chemical and nuclear weapons as a significant step in the direction of strengthening the atmosphere of detente and European security.

Imperialism -- and primarily U.S. imperialism -- is not resigning itself to the socialist countries' increasing development and to the peoples' irreversible liberation struggle for national and social emancipation and for peace. Pursuing its militarist and aggressive policy, which now includes space, imperialism is using powerful resources in order to attempt to check and even to reverse the course of world development, and to impose its domination on the world.

Such a situation requires more than ever the strengthening of the international communist movement's unity and cohesion and joint action by the forces of peace, democracy, social progress, national independence, and socialism, in order to repulse and defeat imperialism's militarist and hegemonic plans and to dispel the danger of a nuclear holocaust now threatening the whole of mankind.

Dear Comrades:

Taking part in all actions in support of peace and against the arms race, the Portuguese Communists believe that in Portugal the defense of the gains of the 25 April [1974] revolution and of the democratic system is inseparable from the worldwide cause of social progress and peace.

In the course of the past 10 years, reaction has unleashed a comprehensive offensive whose aim is the elimination of the democratic system and of the constitution which enshrines it. In the main, so far, it has been possible to check that offensive's deadly blows, thanks to the existence of a powerful people's mass movement, in which the PCP plays a decisive role. In the meantime, within what was foreseen by the 10th PCP Congress decisions, the development of the political situation in 1985 was characterized by important victories -- specifically, the disintegration of the central bloc and the strengthening of the democratic camp in the 6 October legislative elections, with the change in the party scene. In the 1986 presidential election, with the democratic candidate's ouster in the first round, a complex and dangerous situation for democracy was created. However, the defeat for Freitas do Amaral (the candidate of the extreme right, the Social Democratic Party government, and the reactionary forces), to which the PCP contributed decisively by calling at the 11th special congress for a convergence of the democratic forces, created more favorable conditions for the continuation of the people's struggle and for democratic unity, on which the Portuguese revolution's future depends.

The PCP views with confidence the future's hard and complex struggles in defense of the 25 April revolution, and is struggling for unity among the democratic and patriotic forces and for a democratic alternative.

Dear Comrades,

We wish you again the greatest successes in performing the tasks laid down by the 13th BCP Congress. We express to you our determination to strengthen even further the ties of friendship, solidarity, and cooperation linking the PCP and the BCP on the basis of the principles of Marxism-Leninism and proletarian internationalism, in the interests of our two peoples and countries and for the common cause of socialism, communism, and peace.

Long live the 13th BCP Congress!

Long live the friendship and solidarity between the PCP and the BCP!

Long live Marxism-Leninism and proletarian internationalism!

/12929

CSO: 3542/94

23 May 1986

POLITICAL

SWEDEN

CONSERVATIVES' LEADER VIEWS COOPERATION WITH CARLSSON

PM241454 Stockholm DAGENS NYHETER in Swedish 20 Apr 86 p 8

[Report by Magdalena Ribbing: "Adelsohn: Carlsson Better Than Palme"]

[Excerpts] In a speech Saturday [19 April] Moderate Coalition Party leader Ulf Adelsohn praised Prime Minister Ingvar Carlsson. The praise was at the same time a criticism of Olof Palme. Ulf Adelsohn is now promising to work together with the Social Democrats on individual issues, if there are chances of agreement.

"Ingvar Carlsson is an honorable man who keeps his word," Ulf Adelsohn said in the Medborgarhuset's meeting hall where the Stockholm Moderates were holding their annual general meeting. "An agreement with Ingvar Carlsson would hold," predicted Ulf Adelsohn who had chosen political ethics as the theme of his speech.

"Rules must be firm and stable--that is a moral duty in issues relating to the future." Ulf Adelsohn pointed out, citing Olof Palme's statement in the television debate Vasteras that children must be protected. Protected from their parents, that is, Ulf Adelsohn said, and a disapproving murmur arose in the hall with its hundred or so Stockholm Moderates. "Olof Palme was a politician of confrontation," Ulf Adelsohn said, adding that he hopes that Ingvar Carlsson will be different. At present the party leaders are often asked questions about whether the climate of the public debate will change--the Moderate leader sounded as if he thought that this will be the case.

"Ingvar Carlsson was unswervingly loyal to Olof Palme and is unswervingly loyal to his party's policies. He is an easy person with whom to establish personal contact," Ulf Adelsohn said, adding that Ingvar Carlsson is easier to get on with than was Olof Palme. That Ingvar Carlsson is accused of being boring is more of an advantage in Swedish politics, Ulf Adelsohn joked, to the delight of his audience. (Liberal Party leader) Bengt Westerberg is accused of the same thing.

The Moderates have analyzed Ingvar Carlsson's public statements over the years and found them in some respects to be more pragmatic and in others more dogmatic than Olof Palme's. There will probably not be that great a difference

politically, said Ulf Adelsohn, who promised to make a contribution to cooperation with the Social Democrats if this proves possible. "If Ingvar Carlsson is willing to contribute to a new tone in the political debate I would be happy to go along with him. And if the right conditions for an agreement on an individual issue exist, we would be happy to reach such an agreement."

Of the prime minister's Moscow visit, Ulf Adelsohn had a definite view: It was better that Ingvar Carlsson went rather than Olof Palme. Ingvar Carlsson has as yet no international roles, something that Olof Palme did have, as UN mediator, member of the five-continent initiative, chairman of the Palme Commission, deputy chairman of the Socialist International--in the list Ulf Adelsohn gave. "It is an advantage if the Swedish prime minister has no roles other than those of party chairman and prime minister. A statement from a prime minister is impossible to distinguish from one made in some other capacity."

/8309

CSO: 3650/195

POLITICAL

SWEDEN

ARTICLE CRITICIZES EDUCATION BOARD'S 'PEACE EDUCATION' MANUAL

PM020935 Stockholm SVENSKA DAGBLADET in Swedish 16 Apr 86 p 3

[Educational researchers Lena Olsson-hulten and Kajsa Ohrlander "Focus" article: "The National Board of Education Continues To Manipulate Children"]

[Text] The National Board of Education [SO] is a stubborn authority. Despite the criticism which has been leveled against the SO's (and the National Board of Social Welfare's) propaganda-like materials on peace education [fredsfostran], it seems to be an impossibility to produce books which in an honorable and balanced [nyanserat] way give teachers and pupils knowledge of the complicated questions connected with peace and defense.

Last fall the state-owned educational publishing house, Liber, published a "methodology book," "Peace Teaching [Fredsundervisning] in School," which according to SO divisional head Bengt Thelin's foreword "specifies the fundamental principles which should run through all peace teaching." The book can be seen in part as a response to the violent criticism leveled against earlier SO material. The concept of peace education has been replaced by "peace teaching." The book counters the criticism and describes it as irresponsible.

No matter what view you take of this, the criticism does seem to have made a contribution, for example, to the fact that the UN Declaration on Human Rights, a short section on various theories about the origins of wars, and certain references to the importance of knowledge and independent thinking have been included. Nuclear arms pornography [kaernvapenpornografin] has also been toned down.

But apart from such sporadic improvements the methodology book still bears the stamp of the idea that peace teaching must primarily be the influencing of children's feelings, value judgments, actions. Through role playing, drama exercises, and "affective" elements the pupils' "emotional dimension" [kaenslodimension] is to be influenced. The main objective still comprises these manipulative elements: "Thus if anything it is a therapeutic task to raise these questions..." (page 56) Nor are the smallest children in the lowest grades forgotten: "It is also important not to refrain from allowing the smaller children to carry out small and seemingly 'meaningless actions';

if they have no immediate function they can perhaps in the longer term produce value judgments and create a readiness for action which could form the basis for more effective activities." (page 56) It is also said to be a duty for the school to help the children to "deal with and master the anxiety which we know is to be found in many children." (page 25) The argument appears to be very loosely constructed when at the same time the most unrealistic anxiety-creating elements are introduced into the recommended exercises. In the SO's own variation of "Shipwreck" the children are thus instructed to choose through role playing 7 of 13 people who have to be sacrificed because there is no room for them in the lifeboat! The choice to be made is between, for example, "a 70-year-old millionairess," a "20-year-old African without parents," a "newly married sales clerk," or a "30-year-old missionary, mother of two children." Despite past criticism the authors also persist in putting forward the "sand pit theory" as a possible explanation of military conflicts. (page 167) In accordance with the SO's new role as a sort of clearing house for useful hints and a campaign center for the methodological renewal of schools it is the methods for peace teaching which are at the center of all the enthusiasm. Peace teaching is part of the SO's attempts to change the working methods in schools. Peace teaching becomes a reason to work in work teams and work groups, to engage in studies of a particular topic and in project work. Peace questions are to be raised in free activity, in school camp activities, in study and career orientation, in general assemblies, in all subjects such as mathematics, Swedish, domestic science, art, music, Swedish [word included twice] indeed even outdoor activities.

Well, such plans would hardly be worthy of criticism in all their global pretentiousness, if it were the case that the content, the critical investigation dimension, had been made central.

But instead priority is given to emotion itself so that even factual errors and children's naive ignorance are held up as examples.

For example, little Frida writes about El Salvador that "people are trying to take El Salvador's [as published] people's country." "The people in El Salvador must surely be allowed to keep their country." (page 131) This indicates that little Frida has been given the impression that El Salvador as a nation is the victim of an invasion from outside. (In actual fact the conflict there is a civil war.)

What else is this emotional manipulation to contain?

Despite the fact that in his introduction Bengt Thelin states that a correct and factual description of Sweden's total defenses should be included in all peace teaching "as a matter of course," the defense forces are passed over in almost complete silence. Perhaps he means that defense information and so on are such matter-of-course elements that they hardly need to be mentioned.

But in one role-playing scenario we suddenly find a proposal for how a Swedish military force should be constructed. The situation that is outlined is that the government is considering reducing the Swedish defense industries by

50 percent. The defense forces' representative, Lennart, wants in a somewhat snakelike fashion to agree to the proposal because this would lead to a situation in which his wish for Swedish NATO membership would be fulfilled.

And in the "activity-oriented postdiscussion" which the class must undergo the first question reads as follows: "What would you do to further weaken Lennart's and Erik's (the defense industry) premises for their 'arms argument'?" We have no need to doubt that Lennart and Erik represent the evil and peace-threatening forces. There is no encouragement given here or anywhere else in the book to "weaken" or look critically at the arguments of the peace movement, for example.

Even in Thelin's introduction the East's alleged disinclination to use nuclear arms is contrasted with the West's and the United States' view "that a limited nuclear war could be accepted and used." But how does this alleged Soviet dislike of the use of nuclear arms square with the fact that this same country continues to deploy new nuclear arms in the immediate vicinity of Sweden? How does it square with the fact that, judging by all appearances, the Soviet Union equipped even an old tub like submarine 137 [which ran aground in the archipelago off Karlskrona in October 1981] with nuclear arms?

Has not Thelin, on the book's first page, simply fallen into the trap of Eastern propaganda--that what the Soviet Union says about its desire for peace does correspond to the real world of politics?

In the same spirit several examples are also given of how pupils are to criticize Western arms, while Soviet parallels are totally absent.

Thus, for example, "the United States at war" is a project area which the pupils are to be given in the chapter on value judgments in peace teaching. The pupils are called on to name all the wars in which the United States has been involved since 1776. A series of questions deals with the U.S. war in Vietnam. This knowledge of U.S. involvement in wars is of course important--if it were not for the fact that its thrust so clearly forms part of political propaganda.

For there is no corresponding list at all of the Soviet Union's wars. And despite the fact that the war in Afghanistan has now been going on longer than World War II it is hardly mentioned.

"We read through Reagan's defense policy program and shuddered together at his plans," we can read on page 100. Quite consistently the pupils are not encouraged to engage in any shuddering in unison at the Soviet Union's policies.

It could be accidental that the book continually stresses the importance of contacts with the thoroughly politicized schools in the East bloc countries. However, in the context it looks more like an intentional idea.

In the book's introduction Thelin also seizes the opportunity to brand the critics of peace education as "politically strongly conservative" or as "belonging to a Marxist left wing with a strongly anti-Soviet accent." For Thelin the word "anti-Soviet" seems to be, if not treacherous, then at least something very suspect.

There are suggestions for many "activity-oriented" elements in peace work--postcard campaigns, writing letters to presidents, cutting out peace doves, organizing demonstrations, peace days at school, adopting a child in a developing country, and so on. Some seem reasonable, others more therapeutic and in reality without effect.

But over everything contained in the book there is the fundamental message that certain views are correct (the pacifist) and others that are wrong (those which are positive toward defense). And the suggestions to "get at" the reactionaries on the teaching staff who stand in the way are the same as all those that are to be found in all preaching.

It is the "committed teachers and pupils" who are to "influence their colleagues and friends." Through self-appointed working groups the message must be spread "like rings on the water." (This is also the title of one of the book's chapters.) Those teachers who are not wholehearted and enthusiastic in their involvement in "the struggle for peace" are described as possibly "unsure in their role as teacher" or even "ideologically uncertain." (page 98) Committed teachers are encouraged to discuss in secure groups how the "resistance" is to be dealt with on these "seemingly vital questions." Here one is actually given an unpleasant feeling that disagreement is viewed as psychological deviance.

Thelin has recently declared that nowadays there are only "a few extremist and strident nationalists or Marxists who protest." Of Sweden's circa 100,000 teachers only 3 or 4 are critical, according to Thelin.

The striking--at least for a pluralist society--conformity of view painted here--where more than 99 percent support the "right views"--is worrying both as a piece of political mathematics and as an attitude to people who hold different views. And why the insistence on this almost totalitarian unity of view in the teaching corps on issues which outside school are the subject of lively debate?

The fundamental problem is, we think, the fact that Bengt Thelin continues stubbornly to adhere to that constant desire on the part of the SO to influence the feelings, value judgments, and actions of children on the questions of peace and defense and to make so light of content, knowledge, and analyses of the questions of war and peace and their political and economic causes.

Its pacifist message also runs contrary to the speeches which Bengt Goransson and Anders Wijkman, for example, made at the "Peace and Oppression" conference in 1984. Bengt Goransson said then that school should among other things teach

its pupils that our nonalignment calls for strong Swedish defenses and that schools could also make a contribution to strengthening Sweden's determination to defend itself.

Anders Wijkman from the Red Cross said, for example, that concepts such as "national independence and freedom are as a matter of course first priority items for a broad majority in our country." The remarkable thing is that Liber, if we remember correctly, was given the task of documenting this very conference and, among other things, these speeches. Why have all the important and correct things that were said then in many speeches disappeared?

The SO is therefore stubbornly persisting in putting the emphasis in peace teaching too on a manipulative, pacifist, and pro-East side with many thrusts against Sweden's defense forces.

The SO seems to give no thought at all to what parents think about the recommended activities. At present parents came into the picture as foot soldiers and activists in demonstrations and postcard campaigns. Perhaps they might also be allowed to sell this year's "peace flower" prior to 1 May-- something in which the SO recently called on all Sweden's school pupils to become involved.

At the SO people seem today to have no feeling for the goal of critical thought for which knowledge is the first prerequisite. For it is only with knowledge about actual wars, the causes of war, and the various conditions required by peace--and the different views that can be taken of these various questions-- that children can be given a reasonable chance of thinking critically, thinking critically in both East and West--and not least about the peace movement's many different messages.

The feelings, value judgments, and actions they arrive at must remain above all a question for the children themselves and one which should ideally be tackled in their leisure time.

A central section in "Goals and Guidelines in the Syllabus" states: "All parents must be able to send their children to school with the same confidence, certain that they will not be influenced by the school toward one or other of mutually conflicting views or opinions." The SO's peace education campaign is therefore in conflict with the syllabus. Exploiting the superior position which the school has for the channeling of views is something which dictatorships have never hesitated to do. In a democratic and pluralist country like ours such things should not be allowed to happen.

/8309

CSO: 3650/195

23 May 1986

MILITARY

FEDERAL REPUBLIC OF GERMANY

INTENSITY, INNOVATION MARKS RESERVIST REFRESHER TRAINING

Urban Warfare Instructor Training

Bonn BUNDESWEHR AKTUELL in German 13 Mar 86 p 1

[Text] Hammelburg. A government director of the German Bundestag, a lieutenant colonel of the reserves and rifleman third class in an infantry group! How does this fit together, particularly if, on a Saturday afternoon, he leaps and crawls through the infantry obstacle course at the Hammelburg troop training facility or practices house-to-house combat?

The infantry school (Combat Troop School No 1) makes it possible. Here, recently, for the first time, a course for reservists was not given as a unit, but spread over several weekends.

The commandant of the infantry school, Brigadier General Eberhard Fuhr, explained the idea behind this move. Our reservists can be spared from their workplaces only within certain limitations. On the other hand, there is the constant need to train reservists. Consequently, new ways of training must be adopted. The implementation of training courses on weekends is an important step in this direction, said the general.

And so they came, reservists from North Rhine-Westphalia. They came voluntarily, from the lieutenant colonel through the corporal, from 23 through 51 years of age, and set themselves the requirement of acquiring the capabilities on their part to train the reservists of their home locations in house-to-house combat.

This first course is to be followed by others, possibly to train snipers or corpsmen.

Armored Division Logistical Support

Bonn BUNDESWEHR AKTUELL in German 20 Mar 86 p 2

[Text] Sigmaringen. The "10th" had paid a pretty price. But only in this way was it possible for the logistical exercise of the 10th Armored Division, entitled "Short Delivery Time," to achieve a model character. To master all logistics processes in a division under realistic warlike conditions requires an exercise of particular dimensions.

They were together 11 days, the logistics units and the medical units of the 10th Armored Division. The equipment units of the 10th Resupply Battalion, the 10th Repair Battalion, and the 10th Medical Battalion were staffed with 1,500 reservists and brought to full wartime strength. The 106th Motorized Infantry Battalion, the 108th Security Battalion, and the 101st Field Replacement Battalion were joined by 1,900 reservists.

Additional figures: a total of 9,000 soldiers, 2,500 vehicles, 1,200 m³ of motor fuel, 2,000 tons of ammunition. Added to the group were strong territorial forces of the 860th Supply Command and the 850th Engineer Command. The II Corps supported the operation with medical material. French, Americans, and Canadians supported with highway and air transport facilities. The training topic: "Supply During a Counterattack Over Long Distances." Appropriately, the training area extended from Bad Bergzabern via Karlsruhe, Heilbronn, Crailsheim, all the way to Nuremberg.

And that was what was special about the exercise: In addition to classical supply processes such as resupply, repair, medical supply, etc., the personnel replacement concept (mobilization replacement organization), the handling of booty and of prisoners-of-war, was drawn into the exercise.

The reservists of the 106th Motorized Infantry Battalion and the 108th Security Battalion could not complain about having too little to do. Security for the supply routes, protection of supply installations, and harassment-type operations in rear division areas against enemy airdrops by components of the 253d Paratroop Battalion and the 200th Long-Range Reconnaissance Company.

"It doesn't only make sense, but it's fun," according to the privates first class and reserve corporals, who work as vehicle drivers in civilian life. Some of them actually daily transport gravel from the Rhine plain to the "Swabian house farmers" in the Alps. "Job work is serious for us--and that is why delivery time is always short," said Reserve Corporal Robert Lovas of the 6th Squad of the 10th Resupply Battalion before driving off with his tanker to the NATO pipeline at Bellheim in order to draw 18,000 liters of fuel.

Airfield Damage Control Exercise

Bonn BUNDESWEHR AKTUELL in German 27 Mar 86 p 3

[Article by Dieter Kaesebier]

[Text] The fact that airfields are the first attack targets for an enemy in a military confrontation has been known for a long time. Should the enemy be successful in these efforts despite all countermeasures, the damage must be repaired as rapidly as possible and as expertly as possible. In other words, destroyed takeoff and landing runways must be repaired by special units within the shortest possible time so that friendly aircraft can execute their combat missions. The following report depicts how this is practiced by the 74th "Moelders" Fighter Squadron.

The siren sounds the "air alarm" across the airfield with nerve-deadening shrill sounds. All soldiers who find themselves in the open quickly seek the nearest cover. Refueling of combat aircraft is interrupted, the gates of the aircraft protection structures are closed. Radar has acquired approaching aircraft identified as enemy aircraft and has reported this fact to the squadron command post. Only 2 or 3 minutes remain to respond to the anticipated air attack. The base is deserted. And here they come, the enemy fighter-bombers with their shelter and runway bombs and other combat means which originated from "Pandora's" box.

After the air attack, everything at first appears to be paralyzed. At the squadron command post everyone is waiting feverishly for reports. The DCO (damage control officer) passes orders to his explosive ordinance reconnaissance troops.

The reports about the damage caused during the air raid flow into the command post--"damage at B-6," "damage at C-8," "damage at D-10." The telephones jangle, the intercom system is overloaded, the damage control officer's head is spinning. He is barely able to plot the incoming reports on his board.

But eventually the extent of the damage to the takeoff and landing runway is determined.

Time is pressing. Friendly intercept fighters receive their action orders. But the type of damage does not permit the aircraft to take off. The bomb craters on the runway are too close together. And the number of possible bombs which are laying about who knows where about the airfield is still not known. Now comes the difficult time for the runway repair group, made up of reservists.

The runway repair detachment is made up of around 180 men and consists of 3 companies. Every 3 years the various units practice the removal of runway damage in mobilization exercises. An emergency takeoff runway of 1,500 meters in length and 15 meters wide must be established on the damaged runway. The survey team surveys the precise location of the craters. The crater fields are cleared of the largest concrete chunks.

Reserve Corporal Gerhard Lauger uses his machine to grade the crater edges while Reserve Corporal Lothar Bauer breaks up the concrete chunks with his stone-breaking hammer. First Construction Machine Specialist Josef Konle, who holds the same rank as his specialist comrades, is already on the job with his backhoe and is removing the larger concrete chunks from the crater, and Reserve Corporal Wolfgang Reitsam then uses his heavy bulldozer to push them aside.

Everything must work hand in hand. In the background, the dump trucks are already waiting to dump their fill material in the crater. First, rough gravel is dumped and spread, followed by fine gravel which is compacted by a roller.

Meanwhile, two front-wheel loaders haul the heavy iron planer into position in order to scrape the crater and make it level with the remainder of the runway. Rotary brooms are now used to clean the area around the craters.

Not far away, other soldiers are assembling the AM-2 runway matting which is made of aluminum elements. The 16.5-meter-wide, 25-meter-long, and 4-cm-thick matting is now drawn over the crater by two fieldwork machines with steel cables and is pegged down over the concrete. Now, the density of the matting must still be tested by a heavy excavator. Everything is holding. The take-off order for the friendly intercept fighters could be given....

Captain Eckard Oestreich hits the stopwatch: After 2 hours 36 minutes the 1st Company of the runway repair echelon of the 74th "Moelders" Fighter Squadron had "stuffed" the crater and had attained its goal. Thank goodness everything was only an exercise and was the high point and finish of the mobilization exercise held by the Luftwaffe training company at Fuerstenfeldbruck. Training Officer Oestreich is satisfied with the reservists and they are happy with their work. On their skill, in the event of a real conflict, will depend the speed with which friendly aircraft can execute their mission once more following the destruction of the airfield operating surface.

5911

CSO: 3620/677

23 May 1986

MILITARY

SWEDEN

FFV ARMS PRODUCTION, MARKETING PLANS PROFILED

Bonn WEHRTECHNIK in German Mar 86 pp 66-71

[WEHRTECHNIK Interview with Selected Executives of FFV: "FFV--FFV is Pinning Its Hopes on Exports"]

[Text] The Swedish firm FFV [Forenade Fabriksverken (National Defense Manufacturing Corporation)] recently made headlines when the American armed forces, after intense competition, selected the AT-4 panzerfaust [recoilless anti-tank rocket launcher] developed by FFV. However, FFV specializes not only in armor-piercing weapons, it is just as well known for its anti-submarine weapons and infrared defense measures.

The origin of FFV goes back to the year 1552, when a powder mill was built at the direction of King Gustav I in Aker--where the firm's propellant plant is still located today. The production of muskets and pistols began in 1620, and since that time the firm has produced all small arms for the Swedish armed forces. A considerable expansion of the development and production spectrum took place during this century: torpedoes have been produced since 1910 and military aircraft since 1913. Even though no aircraft assembly has been carried out since the J-22, the firm has retained a high level of experience in aircraft armament, avionics and materiel maintenance. Belonging to the FFV group for the defense technology area is the parent company Affarsverket FFV. Subordinate to it are FFV Ordnance, FFV Aerotech (known as FFV Maintenance until its redesignation on 1 Jan 1986), FFV Materials Technology and FFV Corporate Services. Also subject to its control is FFV's share of participation in the industrial group for the development and production of the new Swedish combat aircraft JAS. In addition, as a holding company oriented more toward civil activities, there is the FFV Foretagen AB, comprising 13 firms in Sweden and abroad, of which those concerned with defense are the FFV Elektronik AB, the Osterman Aero AB, the Air Target AB (formerly Air Target Sweden AB), the Norma AB and the Mipro AB.

Affarsverket FFV Ordnance--with 2300 employees--is responsible for the development, production and sales of armor-piercing weapons, mines, small arms and associated ammunition, as well as torpedoes. For the civilian sector, FFV Ordnance also supplies sports and hunting rifles. The main administration is located in Eskilstuna. Production facilities are located in Karlstad, Vingaker (artillery munitions), Gallo, Eskilstuna (small arms), Karlsborg

(small arms ammunition), Motala (torpedoes) and Aker (explosives and additives). The best known product of the firm is the heavy 84mm panzerfaust CARL GUSTAF, which is being used in 40 military ground forces and is being produced under license in Japan and India. The recent decision to introduce the new panzerfaust AT-4 into United States Army and United States Marine Corps units will perhaps make this weapon even better known than its predecessor. Just as remarkable are the sales of the antitank mine FFV 028 to the Swedish, West German and Netherlands armed forces. In addition to anti-tank weapons, the firm has scored export successes with the heavy and light torpedoes TP-61 and TP-42 respectively. Recently introduced was the anti-submarine demolition system ELMA, which is designed to damage submerged submarines and force them to the surface.

The tasks of FFV Aerotech include maintenance work on military and civil aircraft as well as engines and guided weapons. Accordingly, FFV Aerotech is responsible for depot repair of most equipment of the Swedish Air Force. Maintenance facilities are located in Linköping, ground service equipment is produced in Östersund, while Arboga is responsible for avionics and engine maintenance. This maintenance work alone accounts for circa 50 percent of the business turnover. In addition, the firm also produces reconnaissance and weapons pods such as the reconnaissance systems GREEN BARON and RED BARON (being exported to five countries) and the weapons pod FFV 0127 with a 12.7mm machine gun. The labor force numbers circa 2900, including 1100 engineers; sales in 1985 amounted to 1080 million Swedish crowns.

Located in Växjö is FFV Elektronik AB, a consultative firm specializing in data processing, communications and radar. Osterman Aero in Stockholm sells, overhauls and operates helicopters, and in addition is also responsible for the maintenance of various military helicopter types. Air target produces hit deviation indicators for air and ground training targets, Norma AB is primarily concerned with the production of civilian ammunition in its plant in Amotfors, but also produces cartridges for artillery munitions. Mipro AB in Stockholm develops and produces fuzes and safety devices. Currently undergoing development is a fuze for hardened targets.

The following conversation was conducted with Rune Nyman, the president of the FFV group; Boerje Olsson, senior vice president and chief of FFV Ordnance; Leif Nimander, export manager of FFV Ordnance; Ingemar Hansson, vice president of FFV Aerotech; and Rolf Forsell, vice president for production at FFV Aerotech. Participating on behalf of the publishing group Moench were the director of the publishing company Manfred Sadlowski and Ted Hooton, editor for Great Britain and Scandinavia.

[Question] How is FFV currently structured?

Nyman: Since 1970 we have been subordinate to the ministry of industry, before that to the ministry of defense. We have two large firms in the group: Affärsverket FFV, for defense business, and FFV Foretagen AB, a holding company active primarily in the civil sector. Belonging to the latter are more than a dozen firms at home and abroad.

Olsson: To that I might add that we are currently in the process of reorganizing FFV Ordnance into business departments in order to streamline the individual operations.

[Question] You mentioned that you are subordinate to the ministry of industry. How does that influence your work?

Nyman: Previously we had to follow certain rules and for example needed permission in order to begin a project or invest capital. Now we are a firm under private-enterprise management, just like all the others in which objectives and plans are expressed in industrial management terms.

Wt: How high is your annual turnover?

Nyman: In calendar year 1985 it was around 3.4 billion Swedish crowns, of which circa 40 percent were for exports. We expect to exceed this figure by approximately 1 billion Swedish crowns in 1986.

Wt: Does this already include the recent sales of antitank weapons to NATO countries?

Nyman: No. These will not begin to take effect until toward the end of 1986 and will then have their full impact in 1987 and 1988.

Wt: What does your group's financial situation look like?

Nyman: Our cost effectiveness is currently undergoing improvement. It was not exactly good in 1984, rose by 50 percent in 1985, however, and we expect a comparable rise for 1986. Our goal is to achieve a profit of 15 percent of the total invested capital and presumably we will also reach this goal in 2 years. Only two of our approximately 60 activities were unprofitable in 1985, and this will always be the case since our programs require high capital investments. In addition, the government requires from us a sort of repayment in the form of a certain percentage of the invested capital which is used in non-business activities. We proposed other ways of calculating this sum, but they were not accepted. These repayments, which can be viewed as being like a dividend, amount to ca. 70 million Swedish crowns per year.

Wt: Does the group have adequate funds available for research and development?

Nyman: Yes, in most departments we provide our own resources for research and development, but in the defense sector we also receive government funds.

Olsson: At FFV Ordnance, for example, we spend circa 100 million Swedish crowns per year for company-financed research and development, and we receive circa 50 million Swedish crowns from the government. We are, however, given support for special projects, as for example for the development of the second stage of the intelligent, armor-piercing mortar shell STRIX.

Wt: What prompted you, Mr Nyman, to leave Pappersgruppen AB and go to FFV, and what tasks do you expect to get?

Nyman: The challenges are perhaps not so apparent until one has had the opportunity to study the operation of the enterprise. I was fascinated by the size of the enterprise and its scope, including that of its technical work. Besides, we are not well known, not even publicly in Sweden. It was my job to guide the firm's activities into private enterprise channels and to bolster its international position.

Wt: Is not the international reputation of FFV based more or less on its armor-piercing weapons?

Nyman: This depends on whom you are talking to. We are likewise well known for other defense products such as torpedoes and aviation products.

Wt: Are you satisfied with the results that you were able to achieve with naval systems?

Nyman: On the whole, the financial results are extraordinarily good. In addition, we have a series of fascinating new programs in the development stage. Whether we will be able to capture a market for these is hard to say.

Wt: Have the incidents occurring in Swedish waters during the past few years accelerated research for submarine defense?

Nyman: Only to a small extent. We developed such weapons as the ELMA already before these incidents took place. Although the government made substantial investments in anti-submarine warfare, the funds were employed more for sensors than for weapons.

[Question] Sweden's position vis-a-vis weapons exports is well-known; how do you influence public opinion in view of your international business dealings?

Nyman: Sweden is a neutral nation, and we wish to remain both strong and stable. There is a growing opinion that--in order to preserve this status--products are needed which must be very advanced in order to be able to cope with possible threats of powerful nations. To be able to develop these products, however, much research and development are needed, combined with a series production for which it is not always possible to find a market in this country. For that reason exports are necessary. But it is precisely this necessity to export which arouses the greatest concern in Sweden.

Olsson: Of the circa 200 nations of the world, the Swedish defense industry can export to only 40. The government has revised the regulations and directives, some were made stricter, others more lenient. The directives with respect to end-user certificates, for example, were worded more stringently, while limitations on the delivery of ammunition for small arms and spare parts were relaxed. Thus when Sweden has obligated itself to deliver a weapons system abroad, it is also obligated to deliver ammunition and spare parts for it.

[Question] You were successful in the sale of weapons to NATO. Are there political problems here?

Nyman: You should direct this question to the government and not to us. NATO is on our "Green List," however. The fact that we were able to penetrate NATO markets such as the United States, West Germany and the Netherlands is attributable not only to the performance capability of our weapons but also to the price. These countries, after all, buy those products which they assume will offer the best price and the best performance.

Wt: Does the FFV group plan to expand its activity in the United States?

Nyman: Our activity will be different in every department. FFV Ordnance will work together with an American firm on a product basis, while FFV Aero-tech will try to market the capabilities which it has acquired through the JAS program. We want to expand our activity in the aircraft engine maintenance sector. We have a number of United States subsidiary firms within FFV Foretagen and have set up an office in Washington for the purpose of developing business and opening markets.



The one-man panzerfaust AT-4 was recently improved and has still further growth potential.

Wt: In October 1985, your AT-4 panzerfaust was selected for introduction into troop units by the United States Army and the United States Marine Corps. How will you carry out this order, and what influence will it have on your firm?

Olsson: This American order is the largest single order that FFV has ever received. It will be worth 1.7 to 1.8 billion Swedish crowns in the first 3 years. The total order, which extends over more than 5 years, is for 372,000 weapons, of which the first 267,000 are to be built in Sweden by 1988, in three increments [lots] of 55,000, 96,000 and 116,000 weapons each, plus a number of subcaliber training devices. Thereafter, Honeywell will assume the responsibility for production in the United States. This firm will possibly assemble components supplied by us or carry out the production together with other firms. This has not yet been decided. We believe, however, that the American demand will assure production for many more years.

Wt: Will Honeywell be able to export the weapons?

Olsson: No. Honeywell can supply only the American market.

Wt: Will this large American order also open up other export possibilities for FFV?

Olsson: As a result of the United States order, which leads to both a dominant market position as well as mass production by FFV, considerable interest was shown in the AT-4. We will presumably receive an order from the Swedish Army in March, and I expect orders from four or five other countries in this year alone. Including the United States order, we expect export orders for up to 500,000 weapons. We feel that our primary markets are located in Scandinavia, Western Europe, the Far East, and possibly also in Canada. We are also hoping for orders from two South American countries. At the same time, the United States order helped us improve the weapon. The DTOT (Development Test/Operational Test) was much harder than we are accustomed to. This led to several changes so as to increase the robustness of the weapon. A new sight was developed, and at the same time improved caps and trigger mechanisms, but also the carrying straps were attached differently, in order to satisfy American requirements. The AT-4 still has further growth potential, however, and a special ammunition for the destruction of bunkers can be developed. Honeywell stated that the frontal armor of a battle tank can be penetrated with a warhead optimized for the purpose. But do not forget that the AT-4 is a complete system and includes a training package. This consists of a hands-on training [operational familiarization] shell, a 9mm subcaliber weapon and full caliber training ammunition with a dummy warhead. At the same time, we developed for the Swedish Army a hands-on training shell of a pyrotechnic type.

Wt: One of your most successful antitank weapons was the heavy panzerfaust CARL GUSTAF. Will this continue to be sold, after your sales successes with the AT-4?

Nimander: The first shell was fired in 1946 already, so that the weapon is now exactly 40 years old--but it continues to have significance. We sold 70,000 units and continue to have success in selling the weapon, since we have given it wider applicability by increasing the selection of ammunition, which now includes HEAT, HE, illumination and smoke.. The last version of the CARL GUSTAF, which we introduced in 1984, is the M3. Components of carbon, fiberglass, aluminum and plastics are used in its construction and its weight reduced by one-half in the process, even though the performance of the M2 is retained. We have already sold the weapon to a number of countries, including Denmark, and deliveries will begin this year. Together with Laser Photonics Inc., we also developed a laser range finder weighing only 2 kg. In this way, side wind and temperature can be compensated for, and the weapon has almost the capability of a guided weapon. It is currently being tested in four countries. One of the countries showing an interest is Canada.

[Question] In addition to these, will you develop further new ammunition for the CARL GUSTAF?

Nimander: Yes. We recently developed the projectile FFV 502 HEDP (High Explosive, Dual Purpose) with impact and proximity fuze for the CARL GUSTAF. It can destroy light tanks at ranges up to 400 m and bunkers up to circa 700 m. We are also developing the 132mm supercaliber ammunition FFV 597, a rocket-assisted, wing-stabilized projectile. It can penetrate 900 mm thick armor plating made of rolled and homogeneous steel at 300 m and will be available from 1988 on. The projectile has been shown in four or five countries and will be used for a large demonstration this year. We also plan the production of an IR [infra-red] smoke projectile FFV 469.

Wt: One-man panzerfausts can no longer destroy tanks--thus the often expressed opinion of the experts. Does FFV feel that they have a future nonetheless?

Olsson: We have never claimed that the AT-4 can penetrate the frontal armor of a tank of the most modern design, and our view is that other weapons should do this. The AT-4 can, however, penetrate homogeneous, rolled armor plating 450 mm thick. This makes it effective against 90 percent of all targets that the infantry encounters. It is also effective against the side armor of battle tanks. For future application, we are looking at ways to satisfy the "System 2000" requirement of the Swedish Army for an armor-piercing weapon. We are examining launcher, munitions and warhead options. We thus believe that a one-man system can continue to play a role in defense against tanks.

Wt: You are developing the armor-piercing terminal phase-guided mortar shell STRIX for the infantry. How far has this program progressed?

Nimander: Together with SAAB Missiles, we have already completed the basic studies. At the end of 1985, we received a research and development order worth 300 million Swedish crowns. We will produce the prototype ammunition in 1987, and if the firing tests are successful we are hopeful that the Swedish Army will order the ammunition the following year and introduce it in 1989.

Wt: What type of IR sensor is being utilized?

Nimander: I am sorry but I cannot tell you that.

Wt: How do you assess the export possibilities for STRIX?

Olsson: We have only just begun working on sales and can thus give you no details. However, since the United States and Canada have meanwhile also changed over to a caliber, of 120 mm, the market has grown considerably.

Wt: Since STRIX is being developed in response to a requirement of the Swedish Army, it is compatible with the firing mechanism of the TAMPELLA mortar. Could this not be a handicap for exports?

Olsson: We will have to make several modifications, but I do not believe that these will present any great problems. We feel that STRIX can also be used in a rifled tube with the aid of a slip-through driving band. We are also working on a plan to use the STRIX system in an artillery shell. But this ARI-STRIX still lies in the future.

Wt: In the sector of infantry weapons, are you participating in the invitation for bids for the 120mm mortar M-85 of the Swedish Army?

Nimander: Yes, we will offer our own development, which is based on the TAMPELLA concept. The decision regarding the continuation of this work will be made in the course of this year. But to stay with the infantry: We produce the modified automatic rifle FNC 5.56 mm for the Swedish armed forces under the designation AK-5. The first delivery will be made in March. At the same time, we are producing ammunition of calibers from 5.56 to 30 mm - except for 20 mm pursuant to an agreement with Bofors AB.

Wt: What is the situation with respect to your armor-piercing ammunition?

Nimander: We are producing a 9 mm high-performance ammunition, and at the same time we are hoping to get a type classification for our 7.62 mm ammunition during the current tests in the United States. It penetrates 15 mm of homogeneous rolled steel armor plating at a distance of 300 m and can be fired like ordinary ammunition, without any modification, from rifles or machine guns. It will enable troops to effectively fire at armored personnel carriers and armored helicopters.

Wt: Do you plan to produce similar 5.56 mm ammunition?

Olsson: We have thought of it, but 7.62 mm is the better caliber, and we do not think that light machine guns of caliber 7.62 mm, which are vehicle-mounted, will be replaced by 5.56 mm weapons.

Wt: You likewise scored successes in the sale of antitank mines?

Nimander: Yes. We produce the antitank mine FFV 023 in two versions, the reusable 028 RU (Re-Usable) and the self-neutralizing 028 SN (Self

Neutralizing). We have sold the 028 RU to the Swedish Army and the 028 SN to the German and Netherlands Armies, each of which ordered circa 100,000 mines with minelayers and training mines. The total sale price of this mine system amounts to ca. 1 billion Swedish crowns.

Wt: Are the mines already being produced?

Olsson: We have begun deliveries of the FFV 028 RU to Sweden and will commence deliveries of the 028 SN in the course of this year yet.

Wt: Will all work for the German and Netherlands orders be done in Sweden?

Olsson: No. We have accepted offset proposals which include cooperation and coproduction. I can give you no figures, however. In Germany, we will work together with Honeywell GmbH on the mine and with EWK on the minelayer.

Wt: We have heard that in Germany there are several problems in the development of the minelayer?

Nimander: Our minelayers were modified in both cases so as to satisfy the requirements of the clients. But no technical problems were encountered in laying and covering the mines. In the case of the Bundeswehr, we had to wait until the minelaying vehicle was selected. This meant several changes to the vehicle itself and necessitated the installation of an auxiliary diesel engine so as to generate sufficient hydraulic pressure. Tests were then conducted, and these have meanwhile been nearly completed. For the Netherlands order, we expect the wheel and suspension system of the DAF 2300 truck to be used, so as to make the minelayer compatible with the towing vehicle.

Wt: How do you assess the additional export prospects for the FFV 028?

Olsson: Quite good. Previously, special types effective over their entire width were needed for the antitank roller. The same effect can be achieved today with conventional equipment and modern technology. With the FFV 028, only 30 percent of the distribution density of conventional mines is needed, which results in a saving of personnel and transport. Since the mines use smaller charges, they can also be stored near populated areas. A further advantage is that they can be reutilized. The selection of our mine by Germany was decided within a group which also included the Netherlands and Belgium. We can thus hope that the mine can also be sold to Belgium and possibly two Scandinavian countries. We see many other possibilities, but one of the most interesting is provided by the United States, where the ICOMS (Improved Conventional Mine System)-requirement is in effect, and where interest is already being shown in the FFV 028.

Wt: Are there any plans to improve the FFV 028?

Nimander: The order from Germany covers the Bundeswehr requirement of Phase I, and we are already working on improvements which will satisfy the requirements of Phase II. In addition there is the ICOMS program, and there seems to be a growing interest in mines which can be remotely activated and deactivated.

Wt: Have we already covered your entire mine program?

Olsson: No. We have two horizontally effective antitank mines, the light FFV 016 and the heavy 018. The Swedish Army has bought the FFV 016, and we feel that it will also order the FFV 018. In addition we have the FFV 013/013 R mine for unprotected targets, which has already been sold to the Swedish Army. We are currently attempting to gain entry into the export market with the latter, which is not easy. We are encountering difficulties with a number of potential buyers because of disagreements between the engineers and the infantry over the question which of the two is to assume the final responsibility for the weapon.

Wt: Does your firm also produce fuzes?

Olsson: We have been able to expand our capability in this area through the purchase of the firm Mipro AB--from the SAAB group. This created a broader basis for us, even though we continue to concentrate on the production of fuzes for our own products. These are intended not only for ground weapons --even though we are primarily interested in antitank products--but also for underwater weapons such as the anti-submarine demolition charge ELMA.

Wt: That brings us to your naval weapons, in other words, torpedoes for the most part.

Nimander: We have the heavy torpedo TP-61 and the light TP-42. We are continuing the further development of these weapons against surface and underwater targets, which have been operational for more than a decade already. The current production model is the TP-617, which was introduced into the Swedish Navy in 1984 and which was also bought by Denmark and Norway. The HTP propulsion has shown itself to be very reliable and effective, and further improvements are planned. New sensors and data processing render the torpedo very modern.

Wt: What is the situation with respect to the lightweight torpedo?

Olsson: Our TP-42 family is likewise very successful in its latest version, the wire-guided and self-steering TP-427. This was developed in response to a Swedish requirement, but we are also negotiating with potential foreign customers.

Wt: Are there future versions?

Olsson: We continued further development of the concept, particularly in the area of sensors and data processing, so as to be able to offer the new TP-43 XO (Export Oriented). It will have an impact fuze and a new proximity fuze and thus will be even more effective than the TP-427. The torpedo retains the electric propulsion and the wire-guidance of the TP-42, but the sensor will be optimized for use against very quiet submarines in shallow water. Production of this is to begin in 1988.

Wt: What is the situation with respect to the export possibilities for the light torpedo?

Nimander: We wish we could export more torpedoes, but it is not easy, especially since they have to be adapted to the onboard systems being used. Our torpedoes have been tested and are more accurate than the Mk 46, for example. In addition, the 427/43 XO is the only torpedo in the world which can be dropped from a helicopter without a parachute, and which can then be wire-guided into the target.

Wt: You also developed the anti-submarine demolition charge ELMA?

Olsson: Yes. It is currently being produced and will be delivered to the Swedish Navy.

Wt: Can it also be exported?

Olsson: That is hard to say, although several inquiries have been received.

Wt: You also produce defense systems for armored vehicles and helicopters?

Nimander: We are concentrating on smoke-pyrotechnics, whereas Bofors is concentrating on illuminating ammunition. For the last 2 years we have concentrated our efforts on dual purpose products in the visible light and IR region, with the latter covering the sector from 0.8 to 14 microns. In the meantime, we have begun producing a broad selection of such products. For smoke generation, we offer smoke pots, rifle grenades or mortar rounds such as the 120 mm FFV 266, but also smoke grenades such as the 155 mm FFV 007. We are studying the armored vehicle self-defense market and together with the firm Feistel GmbH are working on a 76 mm system which utilizes the Wegmann launch equipment. Together with FFV Aerotech, we have a similar system for helicopters under development.

Wt: What is the status of this system?

Hansson: We conducted a series of tests with a prototype system. In addition we are looking at an IR camouflage system that works on a foam basis.

Wt: Can you give us any details?

Hansson: We have tested a foam-laying system which serves for the camouflaging of airfields. Last summer the foam remained in place on an airfield for 3 days and nights. It consists primarily of water and air. What is important is that aircraft can safely use the taxiway [Note: runway probably meant] without running the risk of sucking in foam. We are also working on an IR self-defense for armored vehicles through the utilization of aerosol generators or foam bags. A prototype of the former has already been installed on an armored vehicle. Both systems are intended to "cover up" the hot spots of the vehicle.

Wt: Could such a system influence the effectiveness of weapons such as STRIX?

Olsson: No. STRIX is a system which serves for the disruption of an approach by armored formations. The foam cannot be used permanently, only when one is being directly attacked.

Wt: FFV Aerotech is very successful with its pod systems, i.e. containers that can be attached to the weapons stations of aircraft. To what do you attribute your success?

Hansson: In part to the fact that we were among the first on the market, and in part to the fact that our pods are very reliable. We produce pods for high-performance aircraft for such purposes as border and marine surveillance and for target acquisition, but also pods for weapons installation.

Wt: Will these pods be further improved?

Hansson: Yes, we are reducing the weight through increased use of carbon fibers. We are also integrating additional equipment components into the pods and thus improving their performance. The first pod of this series will be the 7127 for 70 mm rockets, which can be optionally used together with the FFV 0127 (12.7 mm machine gun).

Wt: You also offer training systems?

Hansson: One should keep in mind that the pods 0127/7127 were first considered low-cost training systems in order to save full-caliber ammunition. Then later we developed a hit indicator system for the Swedish Air Force, which contains TV theodolites, goniometric equipment and an indicator system. It stores and evaluates hits scored by cannons, bombs and rockets in air-to-ground attacks. It has already found interest abroad.

Wt: Judging by its name, Aerotech is presumably an aviation-oriented firm?

Hansson: Very much so. For two decades, FFV Aerotech was responsible for the reconditioning and modification of the SAAB 35 DRAKEN for the Swedish Air Force. Similar work was also done for clients in Denmark and Finland. In the current agreement with Austria, FFV Aerotech functions as a subcontractor of SAAB-Scania and is responsible for the reconditioning and combat effectiveness upgrading of the aircraft before their delivery. The firm is likewise responsible for the delivery of flight simulators, of ground service equipment, and for training in maintenance. Owing to its experience in the military sector, Aerotech has also become active in the commercial maintenance market and overhauls components and engines of the SAAB SF-340 and the Fokker F-28 for various airlines. The new designation FFV Aerotech is indicative of an image which is oriented toward aviation, high technology and international business.

Wt: To what extent does FFV participate in the program of the multipurpose combat aircraft JAS-39 GRIPEN?

Hansson: FFV has a 20 percent share in the JAS Industry Group. We are responsible for making available maintenance equipment and special-purpose containers for transport and storage, for the test software together with the maintenance handbooks, and the test programs at depot level. We also support the design team relative to maintenance aspects.

Forsell: We are currently occupied with establishing the basic data for a maintenance depot for the GRIPEN, including avionics, hydraulic systems, airframes and power plant. We will also be responsible for overhauling the aircraft once they become operational in the Swedish Air Force.

(A profile of the firm FFV, based on an exchange between the firm's directorate and the marketing branch of the publishing group Moench. Under the direction of Harald Helex.)

12689/12955

CSO: 3620/646

ECONOMIC

EUROPEAN AFFAIRS

TURKEY, NETHERLANDS SIGN AGRICULTURAL COOPERATION PROTOCOL

TA211246 Ankara Domestic Service in Turkish 1000 GMT 21 Apr 86

[Text] Turkey and the Netherlands signed a protocol in Ankara today for the regulation of bilateral agricultural relations. The protocol envisages the promotion of economic, technical, and scientific cooperation in the agricultural field. In a statement during the signing ceremony, Husnu Dogan, the minister of agriculture, forestry, and village affairs, expressed his conviction that the protocol will produce mutually beneficial results.

In turn, Ad Ploeg, the Netherlands secretary of state for agriculture, said that the protocol and the establishment of a joint working group represented the beginning of a new era in advancing bilateral relations.

Cooperation between Turkey and the Netherlands in the agricultural field was assessed in a meeting held in Ankara today. In a statement at the opening of the meeting, Dogan explained Turkey's agricultural potential and the policy being pursued in this field. Recalling that Turkey is trying to open up to the world at large in the economic field and particularly in agriculture, Dogan said that as a result, the growth rate increased and exports grew. He added that Turkey had achieved social and economic stability in all fields and said that more measures will be taken to encourage foreign investment.

Addressing the same gathering, Ad Ploeg said that his country sought to improve its relations with Turkey. He expressed his conviction that relations between Turkey and the EEC will soon improve.

Officials from the two countries later addressed the meeting and expressed their ideas for the promotion of agricultural cooperation.

Meanwhile the joint Turkey-Netherlands Agricultural Working Group is continuing its talks on the technical level. Tomorrow the two sides will sign a working program on points to be mutually agreed upon.

/9738

CSO: 3554/394

ECONOMIC

BELGIUM

SUCCESSFUL ECONOMIC DEVELOPMENT IN FLANDERS OBSERVED

Economic Progress

Amsterdam ELSEVIERS WEEKBLAD in Dutch 5 Apr 86 pp 8-9

[Article by Pieter Nouwen and Jan Schils: "Flanders Industry Running Better than Ever"]

[Text] The Belgian economy is making some headway again, especially the Flemish economy. Since the state reform, the federal government of Flanders headed by Gaston Geens has been attracting attention with its attempts to initiate the "third industrial revolution." With considerable success, as witnessed by this report and a conversation with Geens.

"Flanders, oh luxuriant home, where we are guests at rich tables!" the poet Karel van de Woestijne [1878-1929] wrote, and the past few years the region has become increasingly prosperous. Only, the "rolling/billowing fields of summer grains" are being replaced by greenery around microchip plants.

As a consequence of the state reform in 1980, Belgium changed from a unitary centralized country into a decentralized federal state with two regions, Flanders and Wallonia, and a capital region, Brussels. Those regions have exclusive authority with respect to industrial policy, applied scientific research, labor policy, rural planning, environmental policy, and other areas.

"The Flemish Government has clearly opted for a thorough, individual structural policy, while respecting the national economic and monetary union," said the chairman of the Flemish executive, or let's say the prime minister of Flanders, Gaston Geens, at the most recent European Management Forum in Davos. The latter had elected the region as the most "industry-friendly investment region" and Geens gave a presentation there at an altitude of 1500 meters which brought admiration.

He listed the following "most important trump cards" of his region:

--Flanders has the highest concentration of foreign investors in Europe. A growing trend can still be observed annually.

--Flanders is experiencing the biggest production increase in the world.

--Flanders has the highest export quota per person in the world.

--Flanders is located in the geographic heart of Europe. Therefore it is predestined naturally for multinationals and international organizations.

--The Flemish capital, Brussels, is the political center of the European Communities and of NATO.

--The largest number of persons in the EEC who speak four languages is found in Flanders.

--With Antwerp, Zeebrugge and Ghent, Flanders has the highest concentration of seaports; moreover, it has the world's greatest concentration of highways and railroads.

--The international level of research and development in new technologies is respected world-wide.

--In Europe, Flanders is a preferred test market due to its population density, its purchasing power, and its being representative of all of Europe.

Altogether, these points don't lie, not even if you remove the propagandistic standard-aspects which you find in every presentation. Here are some more figures to substantiate the optimism: in 1981 the equivalent of 1.4 billion dollars was invested in Flanders, in 1984, 2.1 billion and in 1985, 2.4 billion. During the past 2 years the share of foreign investors was 1.1 billion dollars per year.

Partly because of that, the growth of industrial production in Flanders can be counted among the highest in the world: over 10 percent with respect to 1980. Since the middle of 1984 unemployment has decreased by 4.2 percent and youth unemployment by 15 percent. With 58 percent of the Belgian population, Flanders secures over 70 percent of the national export.

Impoverished

It has been a long road for the Flemings, who around the turn of the century were still living in an "impoverished and retarded agrarian region," as a bulletin of the Credit Bank described it--thus with nothing but "fields of summer grains" while Wallonia experienced the (first) industrial revolution, very soon after the United Kingdom, with considerable coal- and steel industry which is now rusting away and is a constant source of anxiety for the Belgian Government and the European Commission.

In 1955 the Walloon productivity in industry was 20 percent above the Flemish one, in 1966 Wallonia had been caught up with, and Flemish productivity now is 5 percent higher than that of Wallonia, even though the wages of the francophones still are considerably higher. In the sixties and early

23 May 1986

seventies American and German industries were attracted especially by the relatively low wage- and production costs, the social rest and the not too excessive political unrest. After the first oil crisis, however, things went very wrong with Belgium. Between 1975 and 1981 the social-political rest came to an end, and production- and wage costs increased, as well as inflation, the government deficit and taxes.

The turn-about came with the Martens V government, and against the background of its restrictive moderation policy Gaston Geens was able to proclaim the "Third Industrial Revolution in Flanders" for his region.

One high point of the DIRV [Third Industrial Revolution in Flanders] campaign, the bi-annual "Flanders Technology International" fair, is called the brainchild of Geens. Last year it brought over 200,000 visitors to Ghent.

Further, there are the Flanders Technology Foundation and the Inter-university Micro-electronics Center in Louvain, the "Plant Genetic Systems" and a "Laser Application Center," and the Micro-electronics center "Inventive Systems" to aid small and medium-sized companies.

On behalf of industry, the Flemish government engages, amongst other things, in investment aid, participation, industrial aid exclusively for viable enterprises which want to rationalize, and aid to projects for applied scientific research.

Naturally it would not be very realistic to conclude that in Flanders there is only prosperity. A few obstacles are discussed with government chairman Geens (see column [below]). The Flemish Economic Alliance, the Flemish employers' organization, in fact was rather pessimistic about the course of events in a recent publication. It pointed out that the competitive power of the Belgian and Flemish companies had actually decreased a little last year.

For all that production and catching up, Flanders has had to pay a heavy price, however, in the form of environmental pollution. If a descendant of Pallieter [1916 fictional character] now were to jump into the Nete "in his birthday suit," he would emerge as a black skeleton.

Geens on Problems

Amsterdam ELSEVIERS WEEKBLAD in Dutch 5 Apr 86 p 9

[Report on Interview with Gaston Geens by EW: "Brain-drain"; entire article in boldface]

[Text] The first question EW puts to Gaston Geens, "Mr Flanders," on a difficult point relates to the high Belgian national debt and the consequences for his policy in Flanders.

Geens: "One important consequence of the national debt that we have to bear is its influence on interest. We have a real interest rate of 6 to 7 percent

here as against 2 percent in the Netherlands and the Federal Republic of Germany. That is a serious handicap for an enterprise which wants to invest here, and our investment aid is not adequate to compensate for that."

Secondly, there is the burdensome fiscal system, which doesn't apply so much to industries--Belgium is too attractive for that--but whose high taxes put pressure on the physical person. As a result there is a feeling of discouragement among workers, a lack of motivation and, what is worse, there are rumors of a /brain-drain/ to other countries. We do of course finance an enormous network of social provisions with those high taxes. Thus companies not only ought to wonder 'what remains for me?' but also 'what do I get back for it?,' for example, in educational facilities."

One point that is widely discussed in Flanders is the question to what extent there should also be a discussion on fiscal autonomy as well for the regions, in order to be able to benefit fully by their own economic achievements. Since that is not (yet) the case, Flanders is also financing the lagging Wallonia.

Chairman Geens replies to that: "The disadvantages of not having one's own fiscal system are limited at this time, for the general idea is not to increase the fiscal burden. We do have problems, however, with settling accounts. The 1980 compromise (on which the Belgian state reform is based--ed.) is based on solidarity; social security should be financed nationally and its benefits are also national. That results in transfers and those continue to increase, on the income side because the number of jobs in Flanders is increasing, and on the expenditures side because in Wallonia there are more older and unemployed people who are entitled to benefits."

There is already a tendency to transfer national taxes to the regions, so that these could have at their disposal an increasing volume of their own means. Flanders would naturally like to see this tendency gain in strength, whereas the Walloons want to stick to the system of redistribution via the national government, via the so-called "endowments" to the regions, the amounts of which are coupled to the speed of inflation, Geens explains.

Flanders too is experiencing restructuring which will cost tens of thousands of jobs. Can one fight against that? High technology usually offers less work opportunity than the old industry,

"Unemployment is basically a problem of a lack of training," says Geens. "Here we sometimes have a shortage of people in certain disciplines. Therefore we are establishing centers where new technologies can be learned. We have observed a strong increase in the career training courses."

8700

CSO: 3614/91

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

SIEMENS CHAIRMAN ANALYZES FIRM'S COMPETITIVENESS

Hamburg DER SPIEGEL in German 14 Apr 86 pp 70-80

[Interview with Karlheinz Kaske, chairman of Siemens, by Wolfgang Kaden and Rudolf Wallraf in Munich: "One Should Not Buy One's Customers"; date not given]

[Text] Karlheinz Kaske is a Siemens person from birth. The son of a Siemens engineer from Essen completed his education and graduated from the university early. At 16 he graduated from school, at 21 he held a physicist's diploma, and later was accorded the title doctor of engineering. Following family tradition, the hopeful talented technician joined a Siemens enterprise. With one break in service, Kaske, who is 57, has worked for Germany's largest electrical enterprise since 1950. In 1981, when Kaske took over as chairman of the board, there was much to be done. The electrical giant, which has been spoiled by state contracts and state support, was in the process of missing the changeover into the electronics era. Siemens was earning money primarily through financial investments. Kaske--a man of quiet sounds and hard decisions--now reoriented the enterprise: Siemens was made fit for modern electronics through a better form of organization, through uncomfortable personnel changes, and through high investments. And even though there were a few setbacks, since Kaske took over, Siemens profits have again been rising from year to year.

DER SPIEGEL: Mr Kaske, is the impression correct that the Federal Republic is still poorly equipped to face the electronics era?

Kaske: This impression is absolutely false. If I exclude entertainment electronics, then the German electrical industry is in a substantially stronger position in the world market than, for example, Japan.

DER SPIEGEL: This is clearly, however, not so in the case of the fundamental technology of the electronics era, the microchips. Your enterprise, which is the largest German electrical firm, wanted to join with Philips to help the Europeans catch up and to develop a particularly high-performance chip, the so-called megabit chip. Yet last year you had to recognize that the Japanese had too great a lead. You therefore decided to purchase the know-how for a 1-megabit chip from the Japanese Toshiba Enterprise.

Kaske: The mega program of which you speak is in our long-range plan and it is in the budget.

DER SPIEGEL: Only the Japanese are quicker once more?

Kaske: Yes, we advance by about a year through the Toshiba cooperation. I must correct a widely held error at this point. It is not our goal to become a large memory chip producer; the memory chips serve, so to speak, only as a test tract for the logic chips....

DER SPIEGEL: Memory chips are only suitable for storing information; logic chips, on the other hand, control certain processes.

Kaske: Yes, we are, in the final analysis, a systems house and we need chips for telecommunications, for automation technology, etc. However, these are primarily logic chips.

DER SPIEGEL: Are you not now belittling the processes? After all, it is a fact that Siemens recognized the necessity to enter the chip market more strongly and to start the mega project together with Philips. It is also a fact that you were then again slower than the Japanese. You saw yourself forced to purchase know-how in Japan, otherwise your mega project would have been an economic flop.

Kaske: That is not so. All was in the long-range plan and we would have been on time. But we saw the opportunity of finishing a year sooner by taking over certain technological steps. Our conduct is absolutely comparable with that of well-known American firms. They actually established production lines in Japan. We have not wanted to establish a fabrication facility there.

DER SPIEGEL: The 1 year which you have now gained is the decisive point. If you came along a year later, the prices on this short-lived market would have declined to the point that you could no longer recoup your investment costs.

Kaske: This is only true for memory chips, but not so for logic chips. Secondly: As a potato farmer one has to decide whether to raise early potatoes along with ordinary potatoes. Early potatoes command a higher price. But if I refuse to raise early potatoes, I can, nevertheless, conduct a healthy farm business.

DER SPIEGEL: Back to the starting point: Is it really so wrong to say that the Germans and their largest electrical enterprise, the Siemens firm, are limping behind the standards of the Americans and the Japanese in important areas of electronics?

Kaske: I could just as soon express it the other way: There are portions of the electronics industry in which the others are limping behind us.

DER SPIEGEL: Also with respect to chips--the so-called components?

Kaske: But of course. Otherwise we would not be selling hundreds of millions of marks worth of components in the United States. We also ship several million marks worth of components to Japan.

DER SPIEGEL: But Germany imports far more chips than it exports.

Kaske: Yes, because production in the United States is naturally substantially higher.

DER SPIEGEL: The impression of lagging behind was not only reinforced by the events surrounding your mega project. The situation continues to look sad with respect to large-scale computers. You purchase your equipment from the Japanese Fujitsu Co. and they are shipped to customers with the Siemens label.

Kaske: In order to understand this one must look at the market conditions, let us say, for example, those in the United States. This market is seven to eight times greater than the one in the Federal Republic. This means that when a U.S. firm develops a large-scale computer then it has the purely statistical chance from the very beginning of selling seven times more items in its own market than a Federal German firm. The opportunities are much greater there to recoup development costs.

DER SPIEGEL: The Japanese market is smaller.

Kaske: Nevertheless, it is three to four times as great as the German one. Companies such as Fujitsu and Hitachi have developed large-scale computers for Japan, but also for the United States. Fujitsu did this in cooperation with the U.S. Amdahl firm. We were simply faced with the question of having to develop something ourselves or purchasing it. For economic reasons, we decided on supplemental purchases.

DER SPIEGEL: How do you mean supplemental purchases? After all, you ship the complete computer from Japan.

Kaske: It is a supplemental purchase because we handle 90 percent of our data processing business with our own products; this whole business with the Fujitsu computers amounts to less than 10 percent of our computer turnover. The number of systems which are operating under a Fujitsu operating system is represented by a small double-digit number, whereas more than 3,000 systems in Europe operate with the BS-2000 Siemens operating system--our standard system.

DER SPIEGEL: The big computer business in Germany, Europe, and worldwide is not handled by you, but rather by IBM. The American enterprise accounts for 70 percent of the world market in large-scale computers and 50 percent with respect to small computers. And their head start will likely still grow. If you think of IBM, do you not become fearful and anxious?

Kaske: If that were the case we should not have begun 30 years ago to handle computers at all. When we began, one could say that IBM produced more computers on a Friday afternoon between 1600 and 1630 hours than Siemens did during a whole year.

DER SPIEGEL: Much has not changed in this regard.

Kaske: Oh, yes. We are number two in the Federal Republic; in Europe, we are among the first five. I do not understand your argumentation. If one continues to look only at the gap which exists between us and a market leader one would probably never come up with the courage to begin something new.

DER SPIEGEL: The IBM phenomenon is unique. Never before has a large enterprise so dominated a futuristic branch of industry as IBM dominates with respect to computers.

Kaske: I am always satisfied when our growth rates in this special market are higher than those of IBM. And we have been doubtlessly successful in this area in recent years. Otherwise, we could not have improved our market position.

DER SPIEGEL: Yet you had not the slightest opportunity to approach the IBM figures.

Kaske: We must accept that even a company like Siemens is an average enterprise in partial markets when compared to great American establishments.

DER SPIEGEL: Unlike IBM, you cover the entire spectrum of the electrical industry. Nevertheless, you will probably not be able to avoid building focal points. Which are they?

Kaske: We have defined four areas which are expected to grow particularly strongly. They are the technology of production automation, office automation, telecommunications, and microelectronics as the basic technology. We are investing the predominant portion of our research and development investments in these areas. These are areas in which we can expect fat double-digit growth rates in the immediate future.

DER SPIEGEL: What do you expend on research and development in a year?

Kaske: This year, it will be 5.5 billion marks.

DER SPIEGEL: And how much of that is public money?

Kaske: This year, some 89 to 90 million. The remainder is channeled through the Kraftwerk Union Power Plant...

DER SPIEGEL: ...a 100-percent Siemens daughter enterprise...

Kaske: ...to companies which are participating in the development of the fast-breeder reactor of Kalkar. In terms of percentages: 98 percent of our development and research work is financed by ourselves, compared with the industry average, which lies around 81 percent.

DER SPIEGEL: In other words, a negligible magnitude?

Kaske: In the area of research support, Siemens is underprivileged.

DER SPIEGEL: That has clearly not yet become general knowledge.

Kaske: That is because people can never place percentages and absolute figures into proper relationships. Naturally, 100 million marks is a lot of money. But reflected in terms of 5 billion of our own investments, it is again very little.

DER SPIEGEL: Why do you require money from public funds at all? After all, Siemens has financial reserves estimated at around 20 billion marks.

Kaske: Research support cannot take place according to necessity. It must be aimed according to ability.

DER SPIEGEL: You also collected research money for the 1-megabit chip project. If you now purchase the know-how from the Japanese, you should, according to good business practices, repay the money.

Kaske: We only receive 20 million for the 1-megabit project.

DER SPIEGEL: Bonn wants to pay you 240 million marks for developing a 4-megabit chip.

Kaske: To pay supplementally--over a 5-year period.

DER SPIEGEL: We do not quite understand your argumentation. If all this is so little, why do you then not reject the acceptance of public monies?

Kaske: I will attempt to explain it to you simply. Every area at Siemens, every individual activity has taken it upon itself to work economically. This is also true of the chip factory which we are now building at Regensburg. Let us assume that this factory will have an annual turnover of 500 million marks. Then, a 50-million cost reduction supplement from public funds is already a meaningful magnitude. This can mean that a chip can be sold for 9.40 marks instead of for 9.80 marks and can thus be competitive.

DER SPIEGEL: Even such a special friend of industry as Count Otto Lambsdorff has criticized the support of the mega project. After all, Siemens is not a social case.

Kaske: I have never maintained so. Otherwise, the federal economics minister or the research minister would not have jurisdiction over us, but rather Mr Bluem, the minister of labor and social welfare.

DER SPIEGEL: You surely are not improving your public image by your constant readiness to accept state funds. Siemens is considered to be a particularly appropriate example of the senselessness of state research support.

Kaske: The whole world is in agreement that microelectronics represents a key technology and that no industrial nation can forego its mastery. It is,

therefore, wholly meaningful to support this technology in Europe and, particularly, in the Federal Republic. What is regrettable to me is that, in Europe, only the two companies--Philips and Siemens--have been prepared to take on the considerable risks of megachip development, despite public support. In the final analysis, the sense of the project and its support can likely not be judged until after 1988 when we shall see whether we can produce a 4-megabit chip or not. Until then, our developers would rather have encouragement than advance money. And in general: When other countries receive support then it is in the interest of everyone that appropriate measures be taken to keep German industry competitive.

DER SPIEGEL: In other words: In Japan, the Ministry of Industry assists your competitors; in the United States, the enterprises are spoiled through the receipt of fat space and military contracts. And you think that here you have the right to hold out your hand.

Kaske: No, not hold out the hand! But these conditions somehow result in an obligation on the part of the federal government to equalize competition disadvantages, just as customs duties are levied. One must not forget one thing: In the last 20 years, the electrical industry has undergone a structural change which was very difficult. It is a phenomenon that the German electrical industry has managed this so well--better than all others in Europe.

DER SPIEGEL: Mr Kaske, in 1985, Siemens was number one in terms of turnover among German enterprises. After Daimler-Benz purchased the AEG, you are no longer at the head of the list. How did you feel when you heard about that transaction?

Kaske: My first reaction as someone asked me was that I said: One thing you can be sure of, we will never buy an automobile manufacturing company.

DER SPIEGEL: In other words, in contrast to many a circulating rumor, the Munich neighbor BMW will not become a Siemens affiliate?

Kaske: There is a healthy principle: One should not buy one's customers. We have an excellent relationship with BMW. We have a super relationship with Daimler-Benz and with VW. We are suppliers of the automobile industry. I cannot, after all, buy one of my best customers!

DER SPIEGEL: Is the fact that Daimler-Benz has purchased AEG going to make your business more difficult? A company which was virtually bankrupt must be taken seriously again by you.

Kaske: The AEG was always a respected and potent competitor. We have always taken this competitor seriously.

DER SPIEGEL: Has nothing really changed for you with the change of ownership at AEG?

Kaske: Thus far, nothing. If one is active on the world market, there are two or three dozen competitors. AEG is one of them. We must not see the

whole thing so provincially. On a world scale, there are half a dozen Americans, half a dozen Japanese, and there are also others.

DER SPIEGEL: And you are not anxious about the amounts of money which Daimler-Benz can now pass to the competition?

Kaske: We have money, too. That's not the problem.

DER SPIEGEL: Would you have actually liked to have purchased one of the firms which Daimler-Benz has now swallowed? In addition to AEG, there was the MTU company and the space and technology enterprise of Dornier.

Kaske: These are also customers or they are enterprises which are active in areas where we are not. To say it quite fundamentally: We have so much to do in the area of electrotechnology and electronics that we must really try to concentrate. It would surely not be proper for us now to try to become active in areas in which we do not understand anything.

DER SPIEGEL: Can one exclude that, in the foreseeable future, you will buy something, either in Germany or worldwide, which does not belong immediately in the area of the electrical industry?

Kaske: You can see it that way. The task of the board at Siemens is to care for electronics and electrotechnology. And there we have enough to do.

DER SPIEGEL: And how does it stand with respect to supplemental purchases for this basic branch of industry?

Kaske: In Germany, we can certainly not grow anymore in the area of electrotechnology through mergers. The cartel office would have something to say about that.

DER SPIEGEL: You would surely like to buy the Nixdorf computer firm. But you are not permitted to.

Kaske: We are competitors in the market.

DER SPIEGEL: Nixdorf would fit in well with you.

Kaske: No, I do not believe that's the case. It may have been different 5 or 7 years ago. At that time, we were not as strongly represented in small computers and medium-size computers which were primarily being sold by Nixdorf. Now we have been quite successful in this area with our own products.

DER SPIEGEL: Nevertheless, you wanted to expand the domestic market substantially through supplemental purchases: the promising area of auto electronics. For this purpose, you wanted to acquire the Pierburg Carburetor Plant at Neuss. Yet, the Bosch concern, which held an option on Pierburg, prevented you from acquiring that company. Now, Siemens is alone again in the area of electronic fuel injection. Will you continue?

Kaske: But of course. Pierburg was only one variant.

DER SPIEGEL: You have surely been thrown back years in development.

Kaske: No.

DER SPIEGEL: What was it about Pierburg that interested you so much?

Kaske: Pierburg is an accepted and well-regarded supplier of the automobile industry. It would certainly have been interesting to bring this deliverer of carburetors together with the electronic know-how of Siemens. But we are managing even without.

DER SPIEGEL: But it takes longer.

Kaske: I would not want to say that. Everything depends on how successful our developers are.

DER SPIEGEL: We are under the impression that you feel challenged by the existence of the Daimler-Benz/AEG concern which is also pushing in the area of auto electronics. You are now beginning a frontal assault on a branch of industry which was, thus far, the purview of the Bosch enterprise.

Kaske: That is not correct. The boom in auto electronics is only just beginning. Consequently, we had to increase our activities. We were no longer able to cover the entire spectrum of application possibilities of electronics in the automobile with the crew that handled this topic thus far.

DER SPIEGEL: Nevertheless, there is a new quality in the relationship with Bosch. The thus far friendly relationship between the two south German electrical giants was abruptly interrupted by the Pierburg affair.

Kaske: We jointly manage the Bosch-Siemens Home Appliances Co.; to the joy of both mother enterprises. I don't know what the automobile side is supposed to change in this. Quite simply, a completely new market has developed through electronics. And Siemens will participate in it.

DER SPIEGEL: And this will lead to stronger competition with Bosch.

Kaske: This will not affect Siemens alone. Many others will participate. I would much rather for us to be a supplier for an automobile enterprise than for the Japanese to take care of it.

DER SPIEGEL: There was nothing much to be gained through mergers domestically; but more so abroad. You have invested much money in the United States. Why?

Kaske: With such purchases we can get into the market more rapidly.

DER SPIEGEL: What tempts you to go to America?

Kaske: If one divides the world electronic market into regions, then the United States represents about 36 percent, Japan and Europe about 20 percent each, and the rest is divided by state trading countries and the rest of the globe. We need growth rates in the United States because, quite simply, the size of the market is not negligible for an enterprise which is engaged in worldwide activities. One must do business in the United States in order to remain at the head in worldwide events.

DER SPIEGEL: Does one also need contracts from the SDI program for this purpose?

Kaske: In order to answer this question I have to do a calculation: If the U.S. Congress authorizes \$5 billion for development every year, then, according to experts, an amount of about 3 to 5 percent is to be expended outside of the United States. If I assume that 3 percent will land in Europe, then half of that is likely to be for electrotechnology. That is 1.5 percent for Europe. Of this, Siemens might get about 10 percent. That is to say, 0.15 percent of \$5 billion. What we could receive lies within the magnitude of a few million dollars. From our point of view...

DER SPIEGEL: ...it is negligible?

Kaske: Yes. But the point is something else. Of the \$5 billion annually which are being expended for SDI research, some \$2.5 billion flow into the U.S. electrical industry as research and development funds. Now we are again at the topic of support: In Europe, no one has any counter to this.

DER SPIEGEL: Mr Kaske, the total world market for electrical articles is said to be worth 2,250 billion marks. It is predicted that it will double by the end of the century. How much of this falls to Germany? How much to Siemens?

Kaske: Thus far, our turnover has grown somewhat stronger than that of the world market. We wish to continue that.

DER SPIEGEL: You spoke of the fact that the structure of the electrical markets and, thus, also the structure of Siemens over the past 15 to 20 years has changed fundamentally. Will this rate of change continue?

Kaske: Twenty years ago we did not have the concept of modern electronics as we know it today. In the meantime, we account for around one-half of our turnover through electronic products and systems. Of the roughly 50 billion marks of turnover recorded by the Siemens enterprise, some 30 billion are accounted for by the latest technology. This share is expected to rise further in the future. I estimate that, by the end of the century, approximately two-thirds to three-quarters of Siemens turnover will be based on electronics or on equipment which is characterized by electronics.

DER SPIEGEL: Mr Kaske, we thank you for this conversation.

5911

CSO: 3620/664

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

SPAETH FORMS REGIONAL BANK TO COMPETE FOR EXPORT BUSINESS

Hamburg DER SPIEGEL in German 21 Apr 86 pp 44-46

[Text] No Sleepless Nights

Lothar Spaeth, minister-president of Baden-Wuerttemberg, hopes to give private competition cause for alarm with his new state bank. However, the competition is not showing much concern.

Among Germany's provincial sovereigns, Lothar Spaeth is certainly something special. The Christian Democrat from Baden-Wuerttemberg heads what is at present the most prosperous of the German Lands. Like no other minister-president, he is zealously carrying out industrial policy.

The economic policy-maker from Swabia lacks just one thing: his own major "Landesbank," an institution which can be found in every other federal state.

This situation is about to change abruptly. After one and one-half years of negotiating, the minister-president from Stuttgart has finally succeeded in fusing together the large public financial institutions in his Land: Lothar Spaeth is finally getting his own bank.

Participants will be, in addition to the two "Sparkassen-Zentralen" [Central Savings Banks], the "Wuerttembergische Kommunale Landesbank" (Wukola) and the "Badische Kommunale Landesbank" (Bakola), the state-run "Landeskreditbank" (LKB) and the "Stuttgarter Landesgirokasse" (LG).

This merger means that for the first time in the FRG, a "Landesbank" will have an extensive network of branch offices and can offer all types of services, from savings to foreign credit. Agreement is still needed only from the savings banks in Baden.

The head of the Stuttgart government had been bothered by a long time by the fact that outside credit institutes--above all the Deutsche Bank, the Badische Vereinsbank and the Bayrische Hypotheken- und Wechselbank--snatched the most lucrative transactions away from local institutes; the local Swabian banks offered too little service, especially for foreign transactions. Moreover, up to now, the father of his people lacked a strong bank as a partner for his favorite hobby of technological and industrial policy-making.

The directors of the savings banks opposed a merger right to the very last. The fact that unity was finally achieved can be attributed, in the admiring words of Manfred Rommel, mayor of Stuttgart, only to Spaeth's "incredible stubbornness and powerful eloquence."

The new institution, the "Landesbank Baden-Wuerttemberg, Landesgirokasse-Landeskreditbank," already dubbed "Laba-Ba-Wu" by the cognoscenti, is to open its doors for business next January 1. The mammoth new institute will show a balance sheet total of over DM 100 billion, which is more than the Dresdner Bank can offer. Walther Zuegel, the bustling head of LG and a Spaeth intimate, will probably head the new bank. The minister-president wants to place two "prominent colleagues" (Spaeth) at his side.

The new super bank, exults Christian Democrat Rommel, will finally be able "to keep pace with the large private banks in Munich, Frankfurt and Zurich." Spaeth, too, believes that the new competition is already being taken "very seriously" in those places.

For the time being, however, this is something of an overstatement. "We shall continue to sleep soundly," the Bayrische Vereinsbank commented last week in Munich. The Bayrische Hypotheken- und Wechselbank showed a similar reading of its new competitor; the financial institution announced that it did not expect "any infringement worth mentioning" on its Baden-Wuerttemberg business.

"The amassing of capital resources alone," said a member of the board of directors of the Deutsche Bank, "is certainly not enough to create a great and powerful bank."

The competition can be happy about a few handicaps that its founding fathers have bequeathed to the new bank. For example, Baden-Wuerttemberg's new large bank, unlike private banks, may operate branch offices only at selected locations and is not permitted to open any new branches; this is a point insisted upon by the savings banks, which are concerned for their own sinecures. The SUEDEWEST PRESSE in Ulm writes derisively that in the Baden half of Baden-Wuerttemberg the new institution with headquarters in Karlsruhe and Mannheim "will in the long run probably" be degraded to "a kind of high-class letter-box firm."

Even LG head Walther Zuegel was not able to rescue all 239 branch offices for the new Landesbank. Eighty are targeted for closing; this means that Zuegel will lose a portion of his sources for inexpensive financing. The new bank will encounter especially serious difficulties in foreign transactions. In this area, which the Baden-Wuerttemberg minister-president would like so badly to capture for his very own Land, the Swabian bankers lack two important prerequisites: know-how and a network of foreign offices.

For example, while the Deutsche Bank has 31 foreign offices and representatives all over the world from Hong Kong to Buenos Aires, while even the Bayrische Vereinsbank is present in 20 countries, the bankers of the Wukola and Bakola have been plying their trade up to now only in Zurich, Luxembourg and London. For this reason, Baden-Wuerttemberg companies with

complex foreign transactions still tend to prefer relying on the Deutsche Bank or on the Bavarians.

There is no question in knowledgeable circles that a Swabian Landesbank will not be able to change this situation very quickly. Experience shows that companies do not switch their banking partners without a very grave reason.

It will probably also be difficult for the Swabian bankers to convince discriminating clients of the superiority of their services in the case of other profitable transactions as well. For example, the Landesgirokasse spent two months working out a plan for the owners of the automobile manufacturer Porsche to go public with their company. The proposal laboriously prepared over the course of two months by the Stuttgart bankers did not meet with the approval of the principles. The Deutsche Bank, always in the vanguard, was once again requested to act as syndicate leader.

Just how poorly staffed the large bank is for its future tasks is shown in the case of the Landeskreditbank (LKB), which once the merger is completed is supposed to be relieved of its function of supporting housing construction and the trades. Most of the approximately 1,000 LKB employees, according to an internal study, are not qualified for employment in a major bank: a mere 15 percent of the employees are trained banking specialists.

The new Spaeth-bank must deal with quite different problems in the case of the Badische Kommunale Landesbank. The fourth partner in the merger is bringing along a large mortgage into the marriage of the banks.

Since last October, an investigation has been underway against several managers of the Bakola who are suspected of "fraudulent misrepresentation." Together with the bankrupt real estate broker from Mannheim, Wolfram Theuermeister (SPIEGEL 31/1985), the bankers are said to have sold investors seedy cellar premises as luxury shops. Moreover, the Bakola is said to have pursued its own economic interests while acting as trustee for the building owners.

Spaeth appears to be not at all unhappy about Bakola's difficulties. "This only shows," he says, "that it was high time for the merger."

12792

CSO: 3620/674

ECONOMIC

PORTUGAL

GOVERNMENT'S DILEMMA: INFLATION, INVESTMENTS

Lisbon TEMPO in Portuguese 11-18 Apr 86 p 3

[Article by Ilidio Barreto]

[Text] Three occurrences have intensified the singular dilemma faced by Cavaco Silva this year: reconciliation of the two primary objectives of his economic policy, inflation and investment. In the razor's-edge balancing act of pursuing these two goals simultaneously, the government's distress lies in the possibility of ending the year... without having reached either of the objectives.

The central objective of current economic policy is undoubtedly reduction of inflation. But the "strategy of controlled progress" depends to a crucial extent upon the performance of the investment variable. Reconciliation of these objectives, which are partially contradictory in the macroeconomic assumptions upon which they are based, requires a genuine razor's-edge balance in taking various measures.

In the precarious effort to accomplish one of these goals without seriously jeopardizing the other, this singular dilemma has been aggravated by three occurrences: first, the rising trend of the disposable income of households above the "permissible" level, an undeniable sign of which is the 20.2 percent average increase in nominal wages recorded during the first 2 months of this year; second, approval of a budget that, in its impact upon the GDP [gross domestic product], is undeniably more expansionist than the government's proposal; and, third, as paradoxical as it may seem, the increasingly more likely possibility of a moderate surplus in the 1986 Current Account.

These three central occurrences have as a common characteristic their eminently expansionist nature and, moreover, imply a degree of economic expansion greater than what is sustainable by the Portuguese economy at the present time.

The greater increase of disposable income (income retained by individuals after taxes and including social subsidies they receive) will lead to a larger increase in private consumption: the 3.5 percent increase originally forecast is likely to go to at least 4 percent.

The 1986 State Budget, moreover, is clearly associated with a definitely greater multiplier effect on output, regardless of the exact amount of the formal deficit (the multiplier effect is different for each type of expenditure or receipt, a fact

that some analysts in their hurry seem to ignore, adding and subtracting categories as if everything were homogeneous). The proposed budget was, as we knew then, practically neutral regarding the GDP (perhaps even a bit restrictive). The 1986 State Budget as approved is significantly expansionary.

External-Account Surplus

The effect of a current-account surplus on economic policy has been forgotten. In fact, this surplus (which results from an extraordinary improvement of about 10 percent in the terms of trade) will bring about an increase in net foreign exchange, which will be equivalent to a substantial increase in the money supply. That can only be forestalled by adopting, as seems likely, a policy of offsetting these effects through restricting the growth rate of domestic credit.

In other words, monetary policy will have to be less expansionary than was expected at the beginning of the year, not only to offset the growing liquidity in the economy (via the increased foreign exchange), but also to compensate for a stronger multiplier propensity in the public-sector budget and the sharper increase in private consumption. Such a policy will have to be followed in order to avoid counteracting the disinflationary trend that has been in progress.

But with such a monetary policy (necessarily non-accommodating) one runs the risk of not attaining the official goals for... investment, which was to increase 10 percent, through a complex "crowding-out" effect.

This policy dilemma caused by the inflation-investment trade-off is, moreover, abundantly reflected in recent measures of monetary policy: greater restriction of domestic credit on the one hand and lower interest rates on the other. One notes an apparent contradiction in the effects of each of these instruments.

Interest Rate: Decline Required

The interest rate had to fall at this time so as not to permit a reversal of expectations regarding the trend of business activity in the near future. These expectations were flourishing after the legislative elections in October, but deteriorated moderately later (and met an impasse) due to the ambiguity of certain subsequent events (such as the presidential outcome) and reached their lowest point since then with the budget debate. One of the greatest concerns of the executive branch in coming months will thus center on sending unmistakable economic "signals" for the purpose of confirming the correctness of the initial expectations. Another reduction in interest rates would thus be appropriate before the start of the fourth quarter, taking advantage of any deceleration in price increases.

But a reduction of nominal interest rates implies simultaneously an exchange-policy readjustment. As a matter of fact, the level of domestic interest rates is closely connected to international interest rates, and the differential between them cannot be substantial, as this would induce substantial capital flows abroad. Thus, the reduction of domestic interest rates, to the extent that it exceeds the decline that (fortunately) will also occur in international rates, will have to be offset by a smaller devaluation of the escudo. In this context, it would seem appropriate to reduce the monthly "crawling-peg" rate, which is 0.9 percent in this second quarter, to perhaps 0.8 percent in later quarters. This reduced emphasis on

currency-devaluation policy is also justifiable by the expected increase in real wages (about 4 percent), a factor that seriously diminishes the effectiveness of that type of policy.

No one today would fail to acknowledge Cavaco Silva's skill in handling objectives, instruments and indicators of macroeconomic policy (as he demonstrated so well in reversing monetary planning, transforming the budget deficit as an endogenous variable). It remains to be seen how he will solve this intricate trade-off between inflation and investment, constantly making decisions about a perilous razor's-edge balance.

8834

CSO: 3542/93

ECONOMIC

PORTUGAL

OFFICIAL STATISTICS SHOW UNEMPLOYMENT HIGH
Nationwide Increase

Lisbon DIARIO DE NOTICIAS in Portuguese 15 Mar 86 p 4

[Excerpt] Nearly half of all workers looking for work in 1985 had been unemployed for more than a year, said Kalidas Barreto of the executive commission of the national secretariat of the CGTP, to ANOP. Between 1984 and 1985, the number of workers unemployed for more than 1 year increased 11.1 percent.

According to figures of the National Statistics Institute [INE] and the Employment and Professional Education Institute [IEFP], of all jobless workers who had tried to find work over the last 2 years, 203,700 had been unemployed for long periods of time in 1985, a year in which the total number of jobless workers reached 468,000, while in 1984 long-term unemployment affected no more than 183,400.

Last year, long term unemployment affected 48.9 percent of Portugal's unemployed. In 1984, the figure was 45.5 percent.

Unemployment among persons 25 years and older has become more important in recent years.

The spreading of unemployment to older workers and the low level of training and professional qualifications among people seeking jobs (almost a quarter of whom are unskilled) are closely related to the growing incidence of long-term unemployment.

Kalidas Barreto told ANOP that "these new conditions, which have become increasingly important in recent years, cause specific problems for professional education policy, which until now has been ill-suited to address them."

Unemployment in Portugal continues to be high among the categories of workers "traditionally" more vulnerable in the labor market.

According to official statistics, between 1983 and 1985 female unemployment as a proportion of the total became relatively lower; 67.2 percent in 1983, 61.8 percent in 1984 and 60.1 percent last year.

This fact is explained by the increase in male unemployment in sectors where males are more predominant, such as housing construction, public works and the metallurgical and mechanical industries.

The rates of employment for "non-agricultural activities," published by the Statistical Services of the Ministry of Labor, show that in some areas of activity the fall in the number of jobs between December 1983 and June 1985 has been sharp.

For example, there has been a large decline in employment in housing construction and public works (some 20 percent).

Joblessness in the industrial sector has risen some 3 percent, with some areas being more heavily affected than others.

Industries dependent on the domestic market, particularly those which, like the metallurgical sector, produce capital goods, have shown increased unemployment. In contrast, industries directed toward foreign markets have expanded their levels of employment.

According to figures of the INE and the IEFP, in 1983 unemployment among women reached 318,000.

In 1984, this number rose to 295,200, and in 1985 to 281,700.

With regard to youth joblessness, statistics show a decrease between 1983 and 1985, relative to other age group categories of unemployed workers.

Statistical indicators provided by the Employment and Professional Education Institute show that in the second trimester of 1983 jobless workers under 25 represented 54.6 percent of the total, while during the same period in 1985 the figure was 51.6 percent.

By comparison, the percentage of unemployed over 25 rose from 45.4 percent to 48.4 percent.

Kalidas Barreto believes that "the decline in the relative proportion of female and youth unemployment is explained by the increase in male unemployment," a phenomenon that, he added, "is always interesting to prove."

"Unemployment has become more severe from the second trimester of 1983 on," he affirmed, "which implies a wave of layoffs beginning in that period."

"The situation of workers on payroll has become considerably worse," said the CGIP director.

"The increasing number of new entrants to the labor market relative to total unemployment, and the high rate of unemployment among payroll workers, are signs which, according to the CGIP, point to an increasing number of layoffs.

Social Situation in Porto

In the Porto district there are 90,000 unemployed workers, 120,000 hired on credit, 20,000 whose salaries are in arrears, and several thousand in precarious conditions, reveals a study divulged by the Porto Union Federation [USP].

In the Porto district there are 610,000 salaried workers, representing 87 percent of the work force, of which 320,000 are laborers, 172,000 employees and 57,000 intellectuals and cadres, the USP study claims.

According to the Porto Union Federation, the number of unemployed stands at 90,000 (official 1985 statistics show 75,600), which corresponds to an increase of more than 75 percent relative to 1981.

Women constitute the largest proportion of the unemployed, some 60 percent.

As to the principal causes of the increase in unemployment in the district, the USP points to salaries in arrears, business closings, mutual abrogation of contracts, previously planned reforms, and "arbitrary and illegal" layoffs, as well as "attempts at collective layoffs."

The USP study shows that these conditions have most heavily affected the housing, textile and clothing metallurgical, trade, and packing sectors.

Figures from 1984 and 1985 indicate that there are 146 major businesses in the Porto district, in which 5307 workers are employed.

Mutual abrogation of contracts has affected 1,771 workers, planned reforms more than 100 and "arbitrary layoffs" 405, specifically in SUNDLETE (217), Tamega Construction (150) and Perlite Buttons (38).

The USP study also reveals that the district has recorded increased population growth (more than 19 percent between 1970 and 1981), which has caused the percentage of unemployed workers seeking their first job to constitute some 62 percent of total unemployment.

Workers contracted on credit number more than 120,000, some 20 percent of the labor force, and are especially concentrated in the textile and clothing, housing, packing, electrical material and metallurgical sectors.

The study also shows 20,552 workers, working in 119 businesses, whose salaries are in arrears, and to whom are owed more than 3 billion escudos.

The study by the Porto Union Federation states that under such conditions, "development in the Porto district is impossible," and must be based "on an increase in production and the advantageous use of all local resources."

No Improvement in 1986

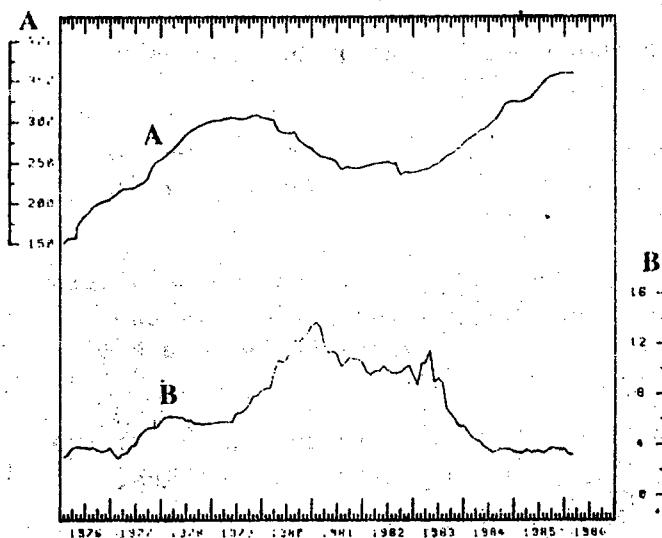
Lisbon SEMANARIO in Portuguese 5 Apr 86 p 18

[Text] The situation in the labor market continues to be under heavy pressure.

Data furnished by the Institute of Employment and Vocational Training show no signs of improvement. According to the figures available for February, the nation's employment centers listed 367,000 employment requests by the unemployed, while the number of jobs offered fell to 3,065. Thus, for each job opening reported to the employment centers by employing entities, there were 120 employment requests by the unemployed.

The rise in business activity during 1985 resulted from increased productivity, inasmuch as the amount of employment declined.

Labor Supply Compared With Job Openings



A: Labor supply, in terms of number of unemployed seeking work;
B: Job openings to be filled.

The more open the "scissors," the greater the tension in the labor market.

According to the findings of the INE [National Statistics Institute] Employment Survey, the number of jobs eliminated last year approached 20,000. Even so, the decline is much less than that occurring in 1984, said to have been over 40,000.

The employment decline was not uniform throughout the economy, and was contradictory to the usual process. Whereas the tertiary sector lost about 9,00 jobs and the secondary sector, about 11,000, employment in the primary sector remained unchanged.

Meanwhile, and according to the same source, the rate of unemployment appears not to have worsened, remaining at 10.5 percent of the work force.

8834

CSO: 3542/93

ECONOMIC

PORTUGAL

FINANCE MINISTER: NO REDUCTIONS IN CIVIL SERVICE

Lisbon DIARIO DE NOTICIAS in Portuguese 13 Mar 86 p 3

[Text] The finance minister, Miguel Cadilhe, acknowledged yesterday that it would not presently be possible to reduce the number of civil service employees, since the country is not in a state of full employment. At a lunch given by the Portuguese Association of Economists, Cadilhe said that "if the economy were in full employment and the productive sector were growing, we might consider it possible gradually to reduce the number of civil service employees."

"Under present conditions," the minister continued, "we are condemned to have hidden unemployment in the Civil Service and, as a result, low levels of productivity." Ex-Ministers of Finance Silva Lopes and Medina Carreira were present at the lunch at which Miguel Cadilhe urged, as a means of resolving personnel needs, that the government "call for mobility and a realignment of personnel in the Civil Service, "and declared that, in order to contain expenses in this area, the government has established an increase in salary for this year of 15 percent above expected inflation. With regard to personnel expenses, the minister affirmed that the hiring increase will be cancelled this year, with the exception of the health and education sectors.

On the other hand, still on the topic of expenses, the minister affirmed that the government has made a basic political decision in singling out the Investment, Expenses and Development Plan of the Central Administration (PIDDAC) for a 20 percent real increase in public investment, assigning to it a total of 100 billion escudos, and in establishing that capital expenditures may not constitute more than 5 percent of gross domestic product.

Cadilhe believes that reduction in the public finance deficit enhances, among other things, governmental stability and solidarity among the governmental institutions.

13026/12851
CSO: 3542/79

ECONOMIC

PORTUGAL

BRIEFS

PARTICIPATION IN LOAN TO USSR--Three Portuguese banks have participated in an international loan to the Soviet Union, a multiple-currency operation of \$250 million, signed on the 7th, it was revealed yesterday in London to the press agency NP. The loan was coordinated by the National Westminster Bank and was provided to the Vneshtorgbank. Portuguese institutions which participated were the Banco Portugues do Atlantico with \$5 million (some 700 million escudos), the Banco Espirito Santo e Comercial of Lisbon with \$2.5 million, and the Banco Borges e Irmao with \$2 million. [Excerpt] [Lisbon DIARIO DE NOTICIAS in Portuguese 13 Mar 86 p 5] 13026/12851

NEW INTEREST RATES--The Bank of Portugal set the basic discount rate at 17.5 percent, applicable to operations transacted since 10 April, according to a document published yesterday in the DIARIO DA REPUBLICA. For rediscounting operations and collateralized loans the rates to be applied will be 17.5, 20 and 22.5 percent respectively for the first, second and third stages. An interest rate of 22.5 percent was set for credit transactions of the Bank of Portugal. The Bank of Portugal established 21 percent as the maximum interest rate for short-term loans of 90 to 180 days; 23.5 percent, for those of 1 to 5 years; and 24.5 percent, for the rest. The interest rate for housing-related savings accounts was set at 24.5 percent, while the nominal rate paid on deposits is 19.5 percent and for time deposits of 180 days to 1 year it is 18.5 percent. These new interest rates also affect the housing-credit system, lowering the installments paid by purchasers. [Text] [Lisbon DIARIO DE NOTICIAS in Portuguese 16 Apr 86 p 4] 8834

CSO: 3542/93

ECONOMIC

TURKEY

BRIEFS

IMF LOANS--Ankara, 6 (AA)-- Turkey used around one billion one million dollars (one billion Special Drawing Rights) International Monetary Fund (IMF) credit since 1980. Turkish Treasury and Foreign Trade Department reported today that, as a result of stand-by agreements made with IMF, Turkey used 420 million Special Drawing Rights (SDR) in 1980, 400 million in 1981, 300 million in 1982, 346 million in 1983, and 168.2 million in 1984. No stand-by agreement had been signed with IMF for 1985, owing to the economic improvement Turkey recorded that year. Turkey's payments back to IMF showed an all time high in 1985 with 247.5 SDR. Turkey's other repayments were 119.2 million SDR in 1980, 91 million in 1981, 116.4 million in 1982, 168.3 million in 1983 and 210.0 million in 1984. [Text] [Ankara ANATOLIA in English 1600 GMT 6 May 86 TA] /9738

AVIATION AGREEMENT WITH OMAN--Turkey and Oman signed an air transportation agreement in Ankara today. The agreement envisages the transportation of passengers and mail by the two national aviation companies. Transportation Ministry Under Secretary Ihsan Tekel said that the new aviation agreement, the first of its kind, would contribute to the rapid development of bilateral economic, trade, and cultural ties. [Except] [Ankara Domestic Service in Turkish 1600 GMT 6 May 86 TA] /9738

PRICE INDEX--The State Statistics Institute has announced that the consumer price index rose by 6.8 percent during the first 4 months of this year, and by 33.6 percent during the past 12 months. [Summary] [Ankara Domestic Service in Turkish 1600 GMT 7 May 86 TA] /9738

CSO: 3554/394

ENERGY

FEDERAL REPUBLIC OF GERMANY

FIRMS SEEK NEW USES FOR HIGH TEMPERATURE REACTORS

Duesseldorf WIRTSCHAFTSWOCHE in German 28 Mar 86 pp 72-75

[Unattributed article: "A Race Into Unknown Territory"]

[Text] The trouble-plagued electricity giant Brown, Boveri & Cie. AG (BBC) wants to enter into competition with itself, so to speak, in the power-plant sector. This Mannheim firm is pressing on with the high temperature reactor as a competitor to the light water reactor, which is also being built by the BBC.

The operators of the Thorium High Temperature Reactor (THTR 300) in Hamm-Uentrop had to wait for 15 years before its first electric power was produced, and 13 years passed between the awarding of the contract and the initial startup of the light-water nuclear power plant in Muelheim-Kaerlich near Koblenz. Both facilities--which are to be taken over soon by the contracting parties--were built by the BBC, and the two facilities are among the top record holders with respect to the length of time it took to construct them. Despite this, the BBC does not intend to abandon the reactor business. In Switzerland, this firm is bidding for the construction of the Kaiseraugst light-water reactor, and on the drawing boards plans have already been made up for a 500-megawatt high temperature reactor, which supposedly will put the fear of God into its major competitor, Kraftwerk Union AG (KWU) at Muelheim on the Ruhr, with its mass-produced light-water reactors. The High Temperature Reactor Constructors GmbH (HRB) in Mannheim, a BBC subsidiary, which played a substantial part in the construction of the THTR 300 at Hamm, claims that the electricity produced by the planned 500-megawatt facility will be cheaper than that from light-water reactors. This was said to have been shown by an in-house profitability analysis.

Competition can only be welcome to the electricity-supply firms. "They hope that the high temperature reactor (HTR) will force down the prices for light-water power plants," conjectures Norbert Kirch, HTR expert at the Juelich Nuclear Research Facility (KFA).

On the other hand the KWU, which has built all 16 of the German light-water nuclear power plants that are generating electricity at present, and its subsidiary firm Interatom GmbH, do not believe that a new area of

competition is developing. "The profitability calculations of the BBC/HRB are not tenable. The 1.7 billion marks in construction costs for the HTR 500, for example, are set too low by about half a billion marks," says the head of the Interatom project "Development of Advanced Reactors," Isidor Weisbrodt. In his opinion, the HTR 500 has no chance against light-water reactors when it comes to electric-power generation. "We do not see any need for this reactor," is the harsh judgment from project head Weisbrodt.

To be sure, Interatom too sees opportunities for the HTR technology. Only this firm wants to build "quite different reactors" than its competitor. Their electric power is to be around 70 megawatts (MW). In contrast, the HTR 500 planned by the BBC and HRB, which is to be used exclusively for electric-power generation, is designed for 500 MW. Small reactors--also called modules--are supposed to be suitable for coal upgrading above all. These mini-reactors, says Interatom, can supply the heat of about 900 degrees Celsius needed for this process. In glossy color brochures, the KWU subsidiary boosts its reactor: "An HTR module in particular makes it possible to bring about the 'coal and nuclear energy' link." This firm also advertises that such a small reactor can be used in the chemical and steel industries as well.

The mini-HTR is to be offered to communities and industry primarily as a supplier of heat. "We see chances for the HTR technology only in that area. On the electric-power market, the high temperature reactor is not competitive," Weisbrodt says in assessment of his firm's strategy.

The HTR can be used in accordance with the modular principle. As many small reactors as desired can be interconnected and coupled with various components--for example, with coal upgrading equipment. Interatom believes that industry will take a fancy to the mini-reactors.

Interatom is not the only firm that wants to become involved with nuclear power on the heating market. In addition to their large HTR for the electric-power market, the BBC and HRB also are planning for a mini-HTR with a power of 100 megawatts. BBC/HRB and KWU/Interatom are hoping above all for customers from so-called emerging countries, for which large nuclear power plants are too expensive. Also such countries usually lack a widely distributed power grid that can transport electric power over long distances. On the other hand, small reactors are said to be ideal as on-site energy generators. Mini-reactors made in Germany are to develop into export bestsellers: "The German energy industry can gain a top place on the world market with the introduction of the HTR module," promises an Interatom advertising brochure.

However, that point is far from having been reached as yet, says Norbert Kirch of the Juelich Nuclear Research Facility: "First of all the power plant manufacturers must come up with a functioning mini-reactor in the FRG." The ambitious plans of the BBC/HRB and KWU/Interatom could come to grief on that. To be sure, both firms calculate that only 7 to 8 years of planning and construction time would be needed; accordingly, in theory an initial small reactor could go into operation as early as in 1993. But a domestic contracting party is nowhere in sight. Interatom project head

Weisbrodt nevertheless remains optimistic: "We are assuming that an initial mini-HTR will go on-line in about 1995."

On the other hand, industry has a rather sceptical view of the much-praised possible applications in connection with coal upgrading and also in the steel and chemical industry. In view of the most recent oil price decline above all, coal upgrading is quite uneconomical. For example, a liter of super gasoline from brown coal would cost about 2 marks today, according to calculations of the Rhine Brown Coal Works AG (Rheinbraun), says Peter Speich, technical chief of this firm. In the past, Rheinbraun was always one of the proponents of the high temperature reactor. However, at present coal upgrading by means of the HTR is not at all a possibility for this firm: "We will simply not try to couple two technologies that are not even fully developed yet," comments Rheinbraun spokesman Wolfgang Roennebeck.

The application possibilities for the HTR in the steel and chemical industry are also few and far between. The chemical industry does not need much heat at this high temperature, and in steelmaking the HTR process heat could be used only to produce hydrogen for the infrequently employed direct reduction method. Only for the supplying of long-distance heating could the HTR offer new possibilities: "Communities could operate on-site high temperature reactors jointly with industrial firms, using these reactors among other things for their district-heating supply," is the hope of Hans Neuffer, executive secretary of the Working Group on District Heating connected with the Association of German Electricity Works.

For the future of the HTR, the main obstacle is its altogether uncertain financing. Three fourths of the financing for building the facility at Hamm-Uentrop still came from tax money. The Federal Government and the Laender will participate far less in other projects--if at all. "The planning, construction, and operation of such facilities should be the sole economic responsibility of the concerned industrial sector," declared the Federal Government recently in response to a parliamentary question.

So far, the preliminary planning on the HTR-500 has been worth no more than 27 million marks to the domestic industry. Switzerland, which has been involved in German HTR research for many years, has contributed another 15 million francs. But the participants are setting conditions for financing the construction. The most important: A primarily political tug-of-war lasting a number of years, as happened with the THTR 300 in Hamm-Uentrop--which drove up the costs from an original 700 million to 4 billion marks--is to be excluded at the outset. However, a guarantee for that will be hard to come by.

Record Heat Output in the Pebble-bed Reactor

The THTR 300 at Hamm-Uentrop, which delivered its first electric power on 16 November 1985, is the first large high temperature reactor (HTR) in Europe. But near the grounds of the Juelich Nuclear Research Facility a 15-megawatt research reactor has been successfully operating ever since 1967. The so-called pebble-bed principle used with the German HTR--the uranium fuel is enclosed in graphite spheres the size of tennis balls--is

an invention of the Juelich physicist, Prof Rudolf Schulten. Because of the heat resistance of graphite, this reactor type reaches incomparably high temperatures. Whereas for conventional light-water systems the temperature limit is not much more than 300 degrees Celcius, with the HTR it is possible to have temperatures as high as 950 degrees. This makes the pebble-bed reactor an ideal process-heat supplier. For this reason the Nuclear Process Heat Project (PNP) was developed, which had in mind a reactor that was to have coal liquifaction and gasification equipment linked up with it. But because oil prices rose so slowly, this project has been simmering on the back burner for years. The pebble-bed reactor is cooled by the inert gas helium. This transports the heat generated by nuclear fission in the reactor core to the attached components--at Uentrop-Schmehausen, for example, to heat exchangers, in which steam is generated. This then drives the turbines.

12114

CSO: 3620/630

END